WeekendFT

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Generals raise the standard

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EUROPE'S BUSINESS NEWSPAPER

FINANCIAL TIMES

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BUSINESS SUMMARY

Recession reduces US trade deficit

The US recession is leading to a sharp improvement in the country's trade deficit, which could ease a source of tension between Washington and its trading partners.

After seasonal adjustment, the trade deficit fell to only $6.3bn (£3.18bn) in December, a 30 per cent improvement on the previous month's shortfall. **Page 24; US production, Page 8**

AGRICULTURE: Sir Leon Brittan, EC competition commissioner, criticised the UK for the "frosty" reception it has given the Community's plans for farm reform. **Page 8; Lex, Page 22**

REICHMANN brothers, owners of Olympia & York, developer of the Canary Wharf office complex in the London docklands, raised £403m through the sale of a 9 per cent stake in Allied-Lyons, UK food group. **Page 24 and Lex**

ATLAS Copco, Swedish mining and equipment company, warned of new rationalisation measures after reporting a 17 per cent fall in 1990 profits after financial items to SKr1.27bn (£116.8m). **Page 12**

ARGENTINA'S Chamber of Deputies approved tough tax increases in the fight against inflation. **Page 8**

BOND Corporation Holdings of Australia said its creditors could receive 20-25 cents to the dollar under a proposed debt-for-equity swap. **Page 12**

The London Stock Exchange dealings page returns today on Page 14

WORLD NEWS

South Africa sanctions under review

Nine Commonwealth foreign ministers are to meet today in London to review political reforms in South Africa and discuss whether to ease sanctions against Pretoria.

The meeting follows President F.W. de Klerk's pledge to scrap key apartheid laws and a subsequent decision by the European Community to lift a ban on metal imports from South African once the laws have been repealed. **Aids in S Africa, Page 8**

Denial by McDonald's
McDonald's sought to cast doubt on a UK government report linking nine cases of food poisoning to hamburgers cooked in one of its restaurants. It said tests had failed to trace the cases to its Preston fast food outlet. **Page 24**

Arms talks impasse
East-west negotiations on troop reductions in Europe became deadlocked two days after they had begun in Vienna. The impasse came after Nato alleged that the Soviet Union is not respecting a recent treaty cutting conventional weapons. **Page 8**

Progress on Alzheimer's
Researchers at St Mary's Hospital Medical School, London, said they pinpointed for the first time a possible genetic cause of Alzheimer's disease, a degenerative brain disorder.

Thai explosion kills 50
At least 50 people were killed when a lorry carrying a load of dynamite exploded after it overturned 530 miles north of Bangkok, police said.

Bush and Major dismiss Saddam's conditions for withdrawing from Kuwait

War continues despite Iraqi offer

By **Peter Riddel** in Washington, **Victor Mallet** in Riyadh and **Robert Graham** in London

PRESIDENT George Bush yesterday dismissed Iraq's offer of a conditional withdrawal from Kuwait as a "cruel hoax" and said the allied offensive would continue.

He also called for the overthrow of President Saddam Hussein of Iraqi.

Leaders in the 28 nation coalition said Iraq had raised new conditions and insisted that it withdrew from Kuwait in compliance with United Nations resolutions.

Iraq's offer came on the second day of the UN Security Council's closed session meeting to discuss the Gulf conflict.

It also followed intense peace-making activity by the Soviet Union.

The first opportunity to explore the offer will come when Mr Tariq Aziz, the Iraqi Foreign Minister, visits Moscow for talks on Monday.

This was the first public gesture by the Iraqi leadership aimed at halting the sustained punishment meted out by the allied air force.

Allied commanders were cautious but optimistic in believing Baghdad's talk of withdrawal represented the first sign of a crack in Iraq's defiant claims that it could fight the "mother of battles" indefinitely.

It also appeared to represent a further attempt by Baghdad to shift the emphasis towards a political victory by encouraging support for Iraq as the underdog attacked by an "Imperialist-Zionist-Atlantic" alliance.

First news of Iraq's ceasefire and withdrawal offer in accordance with UN resolution 660 raised hopes of an early end to the month-old Gulf war. In Baghdad shots were fired into the air in celebration of anticipated peace.

It soon became clear, however, that Mr Saddam had made more demands than in his last offer on August 12.

Then he merely linked withdrawal from Kuwait to the solution of the Arab-Israeli problem. Yesterday's statement, in the name of the ruling Ba'ath Party's five man Revolutiuonary Command Council(RCC) contained more demands which, if accepted, would torpedo every aspect of tentative allied plans for post-war security arrangements in the region.

Iraq boldly demanded forgiveness for all its foreign debts, estimated at $75bn, and full assistance in repairing war damage. No mention was made of damage done to Kuwait since it was seized in August. Instead, Iraq sought to dictate the nature of the Kuwaiti government without refering to the ruling al-Sabah family.

President Bush said: "When I first heard that statement, I must say I was happy that Saddam Hussein had seemed to realise that he must now withdraw unconditionally from Kuwait, in keeping with the relevant United Nations resolutions".

"Regrettably, the Iraq statement now appears to be a cruel hoax, dashing the hopes of the people in Iraq, and indeed, around the world."

His statement added: "So I'm sorry that after analysis and reading the statements out of Baghdad in their entirety, there is nothing new here. It is a hoax. There are new demands added."

Echoing the disappointment felt by many that Iraq's underlying defiant tone had moved little towards understanding the limited options available, President Bush concluded: "And I feel very sorry for the people in Iraq, and I feel sorry for the families in this country who probably felt as I did this morning, when they heard the television, that maybe we really had a shot for peace today".

During a visit to a Raytheon factory in Massachusetts producing Patriot missiles Mr Bush said that, until a massive withdrawal began, with Iraqi troops visibly leaving Kuwait, "there will not be a cessation of hostilities. There will be no pause, no ceasefire." He described the Iraqi plan as "dead on arrival."

Despite recent criticism of the conduct of the war by a number of Arab and European countries, including Spain, the US was yesterday confident of holding the military coalition together.

Mr John Major, the British Prime Minister, dismissed the offer as "a bogus sham", and confirmed the coalition's military plans remained unaltered.

"He has added fresh conditions to those that applied before and nothing to indicate that he is going to make a swift, unconditional and complete withdrawal from the land he has occupied and has been maltreating for some time."

After meeting German Chancellor Helmut Kohl in Paris, French President François Mitterrand said the Iraqi proposal was unacceptable as it stood. Resolution 660 of the UN Security Council stated specifically in its second paragraph that "Iraq withdraw immediately and unconditionally all its forces from Kuwait," Mr Mitterrand said. But, in its present form, the Iraqi proposal not only did not respond to this demand, but multiplied conditions.

The French President said the only new element was that "in contrast with his previous categoric statements, this time President Saddam Hussein envisages the evacuation of Kuwait."

The Soviets were the most forthcoming in their response to the Iraqi move. Mr Alexan-
Continued on Page 24

GULF WAR

Tuning in to Iraq: Kuwaitis in Dhahran hear details of Iraq's offer to withdraw from their country

SADDAM'S CONDITIONS FOR WITHDRAWAL

- Ceasefire on land, sea and air
- Allied troops to withdraw in a month
- Israel to return to 1967 borders
- Abolition of UN resolutions imposing sanctions on Iraq
- Democratic government for Kuwait
- Allies to rebuild Iraq
- Cancellation of Iraq's $75bn debts
- Cancellation of Jordan's debts
- UN to recognise Iraq's "historical rights" in Kuwait
- Removal of weapons brought to region and those supplied to Israel
- Gulf region to be free of military bases

World reaction

"One is driven to the conclusion that they must be playing for time."
UK foreign secretary Douglas Hurd

"It might be a ruse. . . . We need to know all the details and study it with great attention."
French foreign minister Roland Dumas

"It should be possible to clear this up during Tareq Aziz's talks in Moscow [on Sunday]."
Italian prime minister Gulio Andreotti

"We need to know all the proposals before we can judge them."
Mr Hans-Dieter Genscher, German foreign minister

"The news is positive and has been received with satisfaction and hope."
Mr Gorbachev's chief spokesman

"I think it's just a hoax. You're dealing here with a very frightened man, the sort of individual whom I certainly would not trust for one moment."
Israeli president Chaim Herzog

"A step towards peace."
Iranian news agency Irna

"We hope it will open the door to a comprehensive and just settlement of all Middle East issues."
Jordan

"Unacceptable. The overriding fact is that Iraq has to unconditionally and immediately withdraw from Kuwait without bargaining. The war will continue."
Gulf Co-operation Council

"A propoganda tool to give Iraq room to manoeuvre aimed at creating confusion in the Arab street."
unnamed Egyptian official

"This should open the door to a solution of this crisis, a solution which is reasonable and worthy of man."
Vatican

"What brought him to this decision was not Soviet pressure or European delegations. What brought him to this was General Richard Neal who stood in Riyadh yesterday and gave the number of tanks, cannons and artillery destroyed."
Israeli TV Arab affairs reporter Ehud Yaari

Markets confused

By Our Financial Staff

PEACE overtures in the Gulf yesterday threw the financial markets into confusion.

European traders initially marked oil prices and gold down sharply, while on the London stock exchange equities made sharp gains at first.

However share prices settled back as the news filtered through that the peace was not unconditional and the FT-SE index closed just 2.5 higher at 2296.9.

Gold closed in London above the lows at $365.25 an ounce. A barrel of Brent crude for April delivery closed at $17.25 after a previous $18.92.

Sterling closed lower against a stronger dollar in London – a trend which continued in New York.

On Wall Street, the stock market rally revived at mid-session after a brief halt following President George Bush's statement that Iraq's offer was a "cruel hoax." The Dow Jones Industrial Average was up 34.40 to 2,911.63 at 1:30pm.

As traders began to assume that the war would carry on, the US Treasury market's reaction was mixed, with the benchmark 30-year bond adding $\frac{5}{32}$ to 98$\frac{15}{16}$, yielding 7.94 per cent.

On the New York Mercantile Exchange, the March crude oil contract was quoted down $1.12 at $21.20 at mid-day.

Consumer price cuts slow inflation

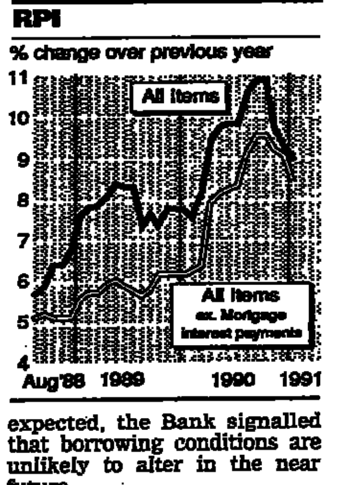
By **Peter Marsh**, Economics Staff

BIG PRICE cuts in Britain's high streets were behind the fall in the annual rate of inflation to 9.0 per cent last month, according to government figures yesterday.

The drop, from 9.3 per cent in December, was helped by the largest monthly price reductions for more than 30 years in clothes and household items. It was in line with expectations and provided a justification for this week's ½ percentage point cut in base rates to 13½ per cent.

However, the Bank of England was quick to scotch suggestions that another base rate cut was imminent. By lending £600m to the money market for one week at 13½ per cent, instead of the lower rate that would have been expected, the Bank signalled that borrowing conditions are unlikely to alter in the near future.

RPI



Many believe, nonetheless, that the next cut could come around Budget day on March 19, three days before the government announces the February inflation figure.

The Treasury said "sustained reductions" in inflation, which have been linked by ministers to further cuts in interest rates, were likely later in the year. It was particularly heartened by the figure for underlying inflation – retail price changes less the effects of mortgage payments and the poll tax – which declined from an annualised 7.7 per cent in December to 7.4 per cent.

The figures received a grudging welcome from Mr Alan Beith, Treasury spokesman for the Liberal Democrats. Referring to this week's steep increase in unemployment to 1.9m, he said the lower inflation figure was good news but the government had managed this "only by throwing thousands out of work".

January is the third successive month in which the annual rate of inflation has fallen, from a high of 10.9 per cent in October. The inflation figure for February, based on prices in force last Tuesday, is expected to drop to about 8.5 per cent, while that for March could be around 8 per cent and for April about 6 per cent.

Yesterday's figures underlined the weak trading conditions in Britain's shops. Prices for clothes and shoes fell by 3.7 per cent between December and January, the biggest
Continued on Page 24

MARKETS

STERLING
New York lunchtime:
$1.967
London:
$1.97 (1.981)
DM2.9075 (2.905)
FFr9.905 (9.895)
SFr2.495 (2.49)
Y257.0 (257.0)
£ index 94.4 (94.4)

GOLD
New York: Comex Apr
$366.1 (370.2)
London:
$364.45 (368.25)

N SEA OIL *(Argus)*
Brent Apr
$17.25 (18.925)

Chief price changes yesterday: Page 24

DOLLAR
New York lunchtime:
DM1.4782
FFr5.035
SFr1.2693
Y130.52
London:
DM1.476 (1.468)
FFr5.0275 (4.995)
SFr1.267 (1.2565)
Y130.4 (129.7)
$ index 60.1 (59.7)
Tokyo close: Y129.66

US LUNCHTIME RATES
Fed Funds 6%
3-mo Treasury Bills:
yield: 6.07%
Long Bond:
98$\frac{15}{16}$
yield: 7.963%

STOCK INDICES
FT-SE 100:
2,296.9 (+2.5)
FT Ordinary:
1,824.5 (+7.0)
FT-A All-Share:
1,106.06 (+0.2%)
New York lunchtime:
DJ Ind. Av.
2,912.13 (+34.9)
S&P Comp
367.84 (+3.62)
Tokyo: Nikkei
25,343.74 (−12.63)

LONDON MONEY
3-month interbank:
closing 13$\frac{1}{8}$% (same)
Liffe long gilt future:
Mar 93$\frac{7}{32}$ (93$\frac{19}{32}$)

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THE GULF WAR

Cornered, the Iraqi leader may prove an even more dangerous adversary

As peril grows, Saddam blinks

By Tony Walker in Dhahran

"If forced to choose between half of the Shatt al-Arab or the whole of Iraq, then we will give the Shatt al-Arab away, to keep the whole of Iraq in the shape we wish it to be."

THOSE were the words President Saddam Hussein uttered in a conversation last July 25 with Ms April Glaspie, the US ambassador in Baghdad, to explain his surprise 1975 decision to reach an accommodation with Iran over control of the waters of the Shatt al-Arab.

In effect, it is plain that ultimately the survival of his country, and by implication his own ruling clique, overrode all Saddam's other considerations, including one so vexed as the long-running dispute over the Shatt al-Arab that delineates the southern boundary of Iran and Iraq.

At the time, the Iraqi military was under immense pressure in its long and debilitating struggle against Iranian-backed and CIA-funded Kurdish rebels.

Saddam Hussein, then vice president and power-behind-the-throne, was prepared to pay the price, however unpalatable, of survival by agreeing to Iran's terms for a settlement.

Now, in much more dire circumstances, the Iraqi leader is engaged in another bold attempt to extricate himself from a position that he rightly sees as the most perilous of all his years in power. Only this time, the difficulties are infinitely greater, the stakes much higher, and the risk of failure more pressing.

President Saddam is fighting desperately for his political and indeed his own survival. By agreeing for the first time to even contemplate withdrawal from Kuwait under the terms of UN Security Council resolution 660, he has signalled a willingness to move.

The question is whether the allies believe there is any advantage in helping Mr Saddam out of his predicament.

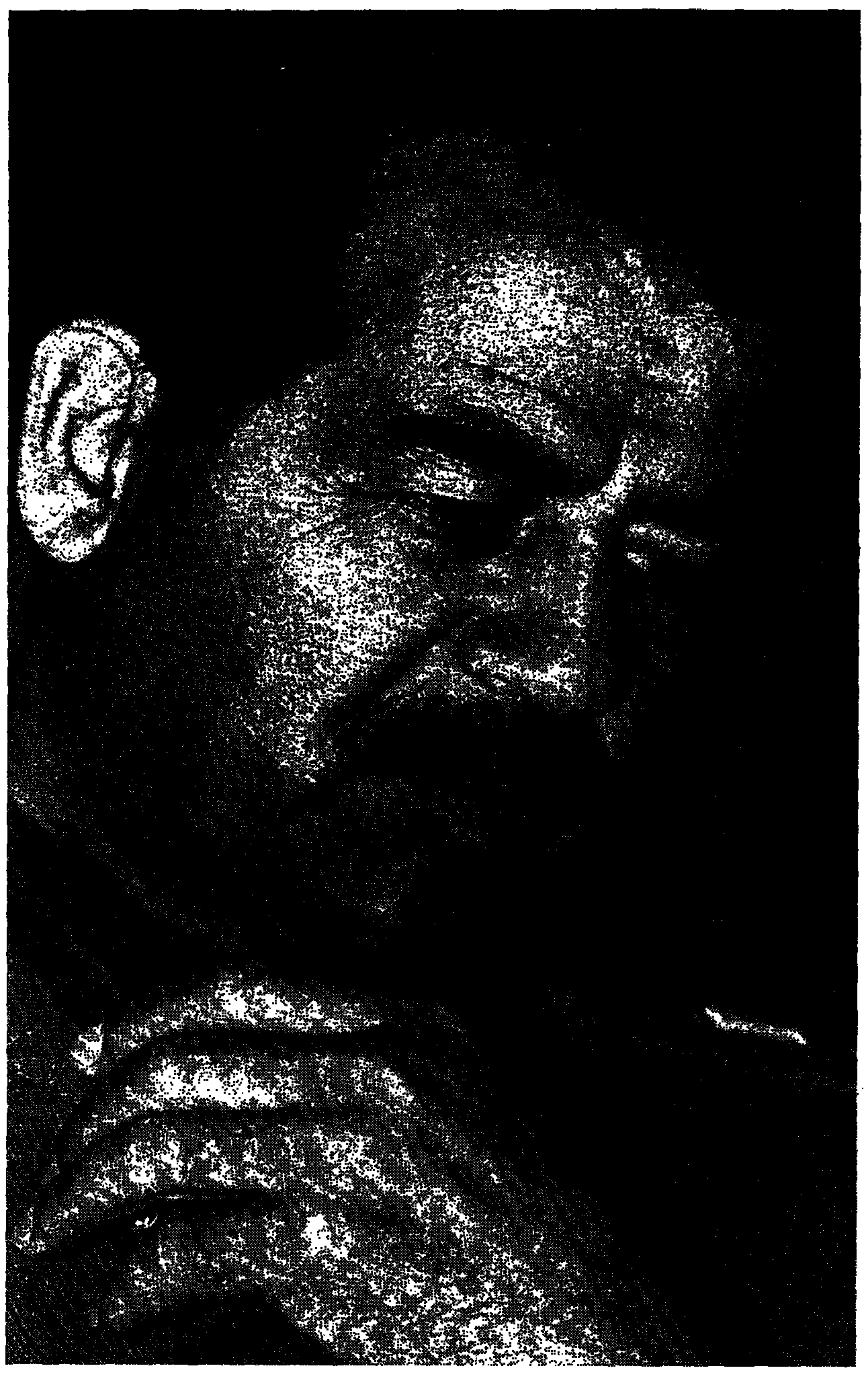
The conditions he has attached to Iraq's withdrawal are unacceptable as he must surely have realised when putting them forward. But his offer opens the door at least to a process that may yield the result the allies have been seeking, short of Mr Saddam's removal from power.

The liberation of Kuwait remains the primary goal, but another vital aim is to ensure that Iraq is no longer in a position or of a mind to menace its neighbours. As long as Mr Saddam remains in power, none of the states surrounding Iraq can rest easy.

President George Bush's declaration that Iraq's conditional offer to withdraw was a "cruel hoax" was an understandable tactic to maintain maximum pressure on the Iraqi leader at a moment when he is showing signs of wavering.

The central question in Saddam Hussein's mind must almost certainly be whether he can survive yet another setback; whether in spite of all his bluster about being willing to fight the "mother of all battles" to retain Kuwait he can now withdraw and get away with it politically.

In the past 10 years he has racked up an impressive list of costly failures. When his army invaded Iran's



Kuzestan province in September 1980, after he had declared null and void an agreement reached five years earlier on the Shatt al-Arab, Mr Saddam plunged his country into eight years of misery.

The result was one of the costliest wars in history, and at the end of it he had virtually nothing to show for all the tens of thousands of lives expended and the huge accumulated debts. While the Iraqi leader claimed "victory", little territory was gained and the Shatt al-Arab remained closed to shipping, a graveyard of rusting vessels sunk during the conflict.

The war with Iran was a huge miscalculation matched only by his foray into Kuwait almost exactly two years after a ceasefire was declared in the Gulf conflict. It may be hard to believe that Mr Saddam could have committed such a grave blunder so soon after putting his people through eight debilitating years of conflict, but the invasion of Kuwait says much about the Iraqi leader's supreme arrogance, and his repeated failure to comprehend the consequences of his actions.

"I do not belittle you," he told Ms Glaspie on July 25, just one week before the invasion of Kuwait. "But I hold this view... yours is a society which cannot accept 10,000 dead in one battle."

The implication here was that Iraq, after eight years of war with Iran, could sustain punishment and outlast any attempt by the US and its allies to wear it down.

In the days before the world changed, Mr Saddam, in weighing up the consequences of his intended actions, was asking himself the wrong question and therefore coming up with an erroneous conclusion.

The Iraqi leader is credited with a ruthless pragmatism. His decision on August 15, less than two weeks after his invasion of Kuwait, to concede virtually all Iran's claims arising from the Gulf war, leaving aside its demand for war reparations, represented a stunning about-face, but it was also carefully calculated.

Mr Saddam made no secret of his reasons for what his Arab detractors described as a "surrender". He wished to release some 30 Iraqi divisions camped on the 600-mile border with Iran to serve in the Kuwait theatre.

He was determined, he said, "not to leave any of Iraq's potential out of action outside the arena of the great battle and to mobilise them towards the objectives which honest Moslems and Arabs agree are right."

Now, after four weeks of round-the-clock allied bombing and with his army being reduced day after day to a shadow of its former self, not to mention damage to his country's infrastructure, the Iraqi leader appears ready to abandon Iraq's "19th province". But, reading between the lines, he is still some way from being prepared to surrender.

His attempts to link the Palestine question and the issue of regional indebtedness to a settlement of the Kuwait crisis shows he still seeking to play to a wider gallery even in his position of demonstrable weakness.

His conditional offer to withdraw is also aimed at a domestic audience which has been told for weeks that it is its sacred duty to die for Kuwait if necessary.

Now his people are being informed that Kuwait might be expendable. The Iraqi leadership has, in any case, been preparing its people for military setbacks by claiming that Iraq's ability to withstand allied pressure for weeks on end represented a political victory.

The delicate issue for the allies is just how far and how fast they can push the Iraqi leader without risking setting up a final suicidal conflict. Cornered, Mr Saddam may prove an even more dangerous adversary.

One of the questions that arises is whether the apparent shift in the Iraqi position has come about because of pressures within the leadership, whether the army itself is saying it has had enough, or whether it is simply a decision taken by Mr Saddam and imposed on his colleagues.

If internal pressures have brought this about, then we may be witnessing a crumbling of the edifice. If it does represent a sense of genuine weakness, then the allies have reason to celebrate. But the next step will have to be calculated carefully, if indeed the Iraqi offer to pull out does represent a genuine attempt to test conditions for a settlement.

Mr Saddam may have been bluffing, but as he said to Ambassador Glaspie on July 25, "You can come to Iraq with aircraft and missiles, but do not push us to the point where we cease to care... Then we would not care if you fire 100 missiles for each missile we fired. Because without pride, life would have no value."

America's Arab allies stay as hawkish as ever

By Victor Mallet in Riyadh

IF President Saddam Hussein ever thought Washington's Arab allies would suddenly throw up their arms in gratitude and abandon the war against Iraq as a result of his highly conditional offer to withdraw from Kuwait, he will by now have been disappointed.

Linking an Iraqi pullout to the Arab-Israeli dispute and other regional issues may play well in Amman, Algiers and east Jerusalem, but it is having little impact on the authorities in Riyadh or Cairo.

The Gulf states, as well as Egypt and Syria, knew they were taking risks when they started on the path to war, and their governments are determined to make those risks worthwhile by ending the conflict conclusively and ridding the region of Iraqi aggression for a generation.

Arab members of the multinational alliance would like to see an Israeli withdrawal from the occupied territories as much as anybody, but they know that President Saddam did not invade Kuwait to help the Palestinians.

They welcome yesterday's Iraqi offer, not because it offers a solution to the myriad problems of the Middle East, but because Baghdad has blinked and announced that it might withdraw from Kuwait.

President Hosni Mubarak of Egypt and King Fahd of Saudi Arabia were both betrayed by Mr Saddam after he gave them his word that he would not invade Kuwait, and they see no particular reason to trust him now. Syria is hardly likely to accept the Iraqi condition that it should end its military involvement in Lebanon.

Mubarak and Fahd see no particular reason to trust him now

Only King Hassan of Morocco appears vulnerable at present to pro-Iraqi domestic public opinion, but his troops represent merely a token force in Saudi Arabia.

The Gulf states, led by Saudi Arabia, are as hawkish as ever. They regard the war as a chance to try their soldiers and airmen in combat, an opportunity to show Iraq, Iran, Yemen and any other potential adversaries that they are not merely a bunch of portly oil sheikhs who can be threatened and milked for money by other Arabs.

As for Iraq's talk yesterday of the need for democracy in Kuwait, it would be an understatement to say that Iraq – hardly a paragon of democracy – has absolutely no standing in the matter. Whatever their internal political disputes, Kuwaitis showed no inclination to collaborate with the Iraqi occupiers of their country.

Mr Abdullah Bishara, the Kuwaiti secretary general of the six-nation Gulf Co-operation Council, said yesterday that Iraq's offer was not compatible with the UN Security Council resolutions on Kuwait.

"The over-riding fact is that Iraq has to unconditionally and immediately withdraw from Kuwait without bargaining," he said at a meeting of the Arab alliance members in Cairo.

These Arab countries – or at least their governments – see the Iraqi proposal either as a welcome sign of weakness or a continuation of President Saddam's attempt to win a political war in the Middle East while losing a military one.

Mr Saddam wants to go down in the history books as the man who dominated the Middle East or the martyr who tried and failed to solve the region's problems. But he may have made too many enemies for the strategy to work. "We don't want to save his face now," said one Saudi prince recently. "We want to smash his face in."

Offer strikes a sensitive chord for many Moslems

By Lamis Andoni in Amman

PRESIDENT Saddam Hussein's offer may be viewed as a non-starter by the US and some of its allies, but it has struck a sensitive chord among many Arabs, especially in the Maghreb, Jordan, Yemen, the occupied territories and in some Islamic countries.

His conditions reflect widely held aspirations in the Arab world, especially among those who feel they were not consulted in the drawing up by the US of a new world order.

In addition to the issue of Palestine, Saddam has demanded the pull-out of all foreign troops from the region including the western military bases which existed before the dispatch of the US led troops to the Gulf after August 2.

The Iraqi leader is evidently and deliberately aiming at widening, at least the political scope of the confrontation, by portraying the current conflict as an all-out Arab and Moslem national liberation struggle led by Baghdad.

By insisting that Arab nationalist and Moslem leaders, including Iran, should take part in drawing up any new security arrangements in the region Saddam is directly challenging, and attempting to preempt a US-imposed post war settlement.

By doing so Saddam is trying to utilise remaining rivalry between Washington and the Soviet Union, but also responding to increasingly widely held fears, in the Arab world, that the US will redraw the geographic and political map in the region in favour of Israel.

Repeated statements in the west and by the US about the post Gulf war arrangements are a reminder of an era when British and French colonialist powers controlled a divided Arab world.

Fears are growing that the US is trying to redraw the Arab map

"The Arabs put up a costly resistance to the division of the Arab world, but they could not prevent it," Jordanian history Professor Mustafa Hamarneh said.

"The Arabs are now watching a similar scenario, but the difference is that they see Iraq as a country which is resisting and capable to deliver."

Saddam has also sought to promote his image as the spokesman of the poor against the rich and powerful by demanding that the west write off the debts of the countries in the region which did not take part in the offensive against Iraq.

He was referring to Jordan and Yemen which are on the brink of economic collapse.

Some analysts believe Saddam's popularity in the Third World will increase if he is willing to abide by the United Nations resolutions.

His announcement yesterday came two hours after Mr Daniel Ortega, former President of Nicaragua, called on Iraq to accept a peace proposal, drawn up by a number of prominent opposition leaders in the Third World, to declare the country's readiness to withdraw from Kuwait provided all of the United Nations resolutions regarding the Middle East are addressed by the US and the UN Security Council.

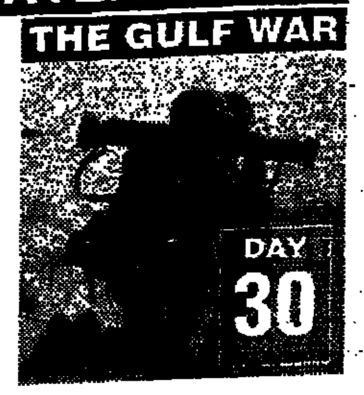
The former Sandinista leader, who has met Saddam over the last three months, has repeatedly said it was in the interests of the "poor" and the Third World to preserve the United Nations as the terms of reference and the judge in international disputes.

President Ortega and other Third World figures, have been also arguing that an Iraqi adherence to international law and to United Nations resolutions was crucial to preserving international law.

From their viewpoint Saddam has declared willingness to deliver and that the goal was now back in the US court.

IRAQI STATEMENT

This is an edited version of the statement issued by the Revolution Command Council through the Iraqi News Agency. It was monitored and translated by the BBC:



The RCC has announced Iraq's decision to deal with UN Security Council Resolution 660 for the year 1990 with the aim of reaching an honourable and acceptable solution, including the withdrawal.

The RCC decision said that this readiness is the first step needed to be implemented as an undertaking on the part of Iraq on the issue of withdrawal, linked with a full and comprehensive ceasefire on land, air and sea and that the UN Security Council resolves to abolish all the resolutions issued by it.

The RCC indicated that the first step requested from the Iraqi side regarding the issue of withdrawal should also be linked to Israel's withdrawal from Palestine and the Arab territories it is occupying in the Golan (Heights) and Lebanon in implementation of the Security Council resolutions.

The RCC stated that the steps that must also be implemented, as a pledge from the Iraqi side concerning the issue of the withdrawal, are linked also to the withdrawal from the region of all the troops, the armament and the equipment that the US, which is taking part in the aggression, and all the states, which have sent their forces, have brought to the Middle East region and the Arabian Gulf region before and after 2nd August 1990...

... be they those on land, sea, oceans and the two Gulfs, and including the armament and equipment which some states have supplied to Israel under the pretext of the crisis in the Gulf. These troops and equipment must be withdrawn over a period not exceeding one month from the date of the ceasefire.

The political set-up on which agreement will be agreed concerning Kuwait will be proceeding from the will of the people on the basis of a genuine democratic exercise.... The RCC statement called on the states which took part and financed the aggression to undertake to rebuild what the aggression had destroyed in Iraq and this is in accordance with the best specifications of all activities and projects and the installations which had been a target of the aggression and at their own expense without Iraq bearing any financial cost.

The statement demanded the cancellation of all Iraqi debts and those of the region's states which were harmed by the aggression.

It said that Iraq's decision to deal with Security Council resolution 660 was also linked to the Security Council abolishing all resolutions and measures, and the measures concerning the boycott and the embargo....

This is the case which we put before the world and we state it clearly and plainly to the perfidious, the treacherous and their imperialist masters. Our basic guarantee, after relying on God, the one and only, remains in our great Iraqi people and our brave and combatant armed forces.

The statement also stressed that victory will be certain against the oppressors in the coming days as it was certain in the past with God's permission.

BUSH STATEMENT

This is a transcript of remarks President George Bush made yesterday to the American Academy for Advancement of Science on the Iraqi president's offer:

"When I first heard that statement I must say I was happy that Saddam Hussein had seemed to realise that he must now withdraw unconditionally from Kuwait in keeping with the relevant UN resolutions. Regrettably, the Iraq statement now appears to be a cruel hoax dashing the hopes of the people in Iraq and, indeed, around the world.

It seems that there was an immediate celebratory atmosphere in Baghdad after this statement and this reflects, I think, the Iraqi people's desire to see the war end, a war the people of Iraq never sought.

Not only was the Iraq statement full of unacceptable old conditions, but Saddam Hussein has added several new conditions. And we've been in touch with members of the coalition, and they recognise that there is nothing new here, with the possible exception of recognising for the first time that Iraq must leave Kuwait.

Now let me state once again they must withdraw without condition, there must be full implementation of all the UN resolutions, and there will be no linkage to other problems in the area, and the legitimate rulers of Kuwait must be returned to Kuwait.

Until a massive withdrawal begins, with those Iraqi troops visibly leaving Kuwait, the coalition forces acting under UN resolution 678 will continue their efforts to force compliance with all the resolutions of the UN.

But there's another way for the bloodshed to stop, and that is for the Iraqi military and the Iraqi people to take matters into their own hands to force Saddam Hussein the dictator to step aside and to comply with the UN and then rejoin the family of peace-loving nations. We have no argument with the people of Iraq. Our differences are with Iraq's brutal dictator.

And the war – let me just assure you all – is going to schedule. Of course all of us want to see the war ended soon and with a limited loss of life, and it can if Saddam Hussein would comply unconditionally with these UN resolutions and do now what he should have done long, long ago.

So I'm sorry that after analysis and reading the statements out of Baghdad in their entirety, there is nothing new here. It is a hoax. There are new demands added. And it – I feel very sorry for the people in Iraq, and I feel sorry for the families in this country who probably felt as I did this morning when they heard the television that maybe we really had a shot for peace today. But, that's not the case, and we will continue. We will pursue our objectives with honour and decency. And we will not fail.

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US tries out fuel air bombs on Iraqis

By **Paul Abrahams** in London and **Victor Mallet** in Riyadh

AMERICAN officials in the Gulf said they were "experimenting on the enemy" with controversial fuel air weapons and massive 15,000lb conventional high explosive bombs known as *Daisy Cutters*.

The weapons are being dropped along the Kuwaiti border in an effort to demolish obstacles and clear paths through an estimated 500,000 mines laid by the Iraqis in the region. They were also used on groups of Iraqi vehicles.

A senior US officer said American troops were not using napalm – an explosive made notorious as a defoliant during the Vietnam War – because they could see no use for it on the battlefield.

Fuel air weapons, known as the poor man's nuclear bomb, have had a chequered history because of the immense destruction they wreak within a small area.

They can be used to set off mines or attack infantry, armoured vehicles and buildings over an area of about 20 square metres.

A recently published CIA report described the effect of the such weapons: "The effect of an FAE [fuel air explosive] explosion within confined spaces is immense. Those near *the ignition point are obliterated*.

"Those at the fringe are likely to suffer many internal, and thus invisible, injuries, including burst eardrums and crushed inner organs, severe concussions, ruptured lungs *and internal organs, and possibly blindness*."

The weapons create an overpressure of somewhere between 420 and 600lb. An overpressure of 3lb can be sufficient to kill. The shock wave moves at up to 1,825m a second – about six times the speed of sound. Air fuel weapons are many times more destructive than conventional high explosives.

Fuel air weapons work by dropping two chemicals simultaneously from a helicopter or *aircraft. After a set time*, the chemicals react, triggering an explosion.

The mixture can enter any building that is not sealed and will seep into ventilation systems, for example, before exploding.

The effectiveness of the weapons is limited, however, by problems in delivering the chemicals.

The aircraft needs to fly slowly so the right density of chemicals is achieved. Otherwise, they fail to ignite. They also need to be dropped fairly low, which makes the aircraft vulnerable to ground fire.

The efforts to clear the minefields represent one of the final steps needed before the allies launch a ground offensive. Routes through the minefields, which have been positioned to delay and channel attacking allied troops, must be cleared before a ground offensive can be developed.

The Iraqis are known to have set up research projects into fuel air explosives, but there is no evidence they have *managed to master the technology*.

Walk with care: As allied forces continue raids on Iraq and Kuwait yesterday, US Senior Airman Richard Phillips from Mobile, Alabama, checks a line of 2,000lb bombs at a US F-16 air base in southern Saudi Arabia

Radio report sparks rejoicing

HUNDREDS OF Baghdad citizens took to the streets yesterday celebrating what they saw as the beginning of the end of the war, agencies report from Baghdad.

Guns were fired in the air, people danced in the streets and cars tooted their horns and flashed lights. Many hoped a big step toward peace had been taken.

"Thank God that our men are well and will come back to us soon," said the wife of a soldier in Kuwait.

Government officials hugged *each other. But those who* spoke to reporters, although expressing a new tone of hope, said it would be premature to conclude that the war would end soon because the allies and Israel might find the other proposals unacceptable.

The demonstrations were prompted by the announcement on Baghdad radio of the Revolution Command Council's call for a "full and comprehensive ceasefire in the Gulf". The statement came after what Iraqi media had earlier said was an overnight session of the country's ruling five-man council.

As the council met, Baghdad was struck by the latest in a series of night raids, one of which damaged the headquarters of the country's ruling Arab Baath Socialist Party. *The building in the city centre* was apparently empty.

Allies confident of winning land war

But Iraq retains a vast military capability, report **David White** and **Paul Abrahams**

IRAQ'S conditional offer to withdraw from Kuwait comes at a time of growing confidence in the US-led coalition that the outcome of a land *war, if and when it happens, is* now a foregone conclusion.

Iraq retains a vast military capability, including some 16 divisions in the north of the country which have not been drawn down to help fight a war in the south. But the allies *believe they have significantly* reduced not only the armour available to President Saddam Hussein for defending his occupation of Kuwait but also, and *crucially, his capacity to keep a battle going* for very long.

They also believe his Soviet, *French* and Chinese-supplied air force has been more or less excluded from playing a meaningful role, especially if the squadrons sent to safety in Iran remain there. His navy is considered to all intents and *purposes extinct*.

Iraq's diplomatic ploy comes after four weeks of air bombardment of a kind never seen before. General Robert Oaks, commander-in-chief of US air forces in Europe, said yesterday that the Gulf air offensive *had given "a new meaning" to* air power. He told an audience at the Royal United Services Institute in London that, even if aerial bombardment could not win the war against Iraq unassisted, the experience would "alter the view of air warfare and influence equipment purchases and tactics for many years to come".

The systematic day-and-night offensive has relied on weapons that because of their accuracy maximise the effect *of each combat raid and* on aircraft whose range and endurance has been multiplied by an elaborate airborne refuelling operation. Including reconnaissance flights, fighter cover and tanker aircraft the allies have flown an average of almost *3,500 sorties per day, with one* aircraft taking off almost every half-minute.

The emphasis of the attacks has moved progressively from *strategic* targets and efforts to "suppress" Iraq's air defences to tactical goals including the cutting of supply routes and bombardment of ground forces.

The main surprise was the absence of direct opposition from the Iraqi air force. As of yesterday, not a single allied aircraft had been shot down by *an Iraqi aircraft*.

On the ground, the Republican Guard, which would provide Iraq's main counter-attack capability, has been pounded division by division. More recently, front-line infantry have also been subjected to *carpet-bombing*. However, these different phases have overlapped. Allied commanders have felt the need to keep up pressure on command and control facilities, airfields and infrastructure – a policy that led to Wednesday morning's attack on a Baghdad bunker with its tragic consequences.

Most of the destruction of tanks and guns – claimed by the US to have been reduced by a third in the Kuwait "theatre of operations" – has taken place in the last 10 days. However, commanders recognise that as long as Iraqi forces remain well dug-in they will be difficult to wear down.

Once a land battle began, the allies would bring a fresh facet of air power into play, with aircraft and helicopters assigned to destroying individual pieces of armour in the open desert.

The impact of allied air power on the Iraqi war machine has been profound. Iraq's non-conventional weapons manufacturing capability was almost totally broken during the first days of the war. Allied military sources claim that Iraq's nuclear research and production sites have been completely razed. Its chemical and biological weapons *facilities* have been severely damaged while stockpiles have also been reduced.

In the early days of the war, the Iraqi air force – once the sixth most powerful in the world with more than 500 front-line aircraft – was also shattered.

The most recent allied estimates suggest that between 135 and 140 jets have been destroyed, while about 120 front-line aircraft are sheltering in Iran. A number of others are dispersed between five and 10 kilometres from their airfields and, according to military sources, would have *considerable difficulties coming to* battle.

Iraq's airfield facilities have also been heavily impaired. Although the Iraqis appear able to repair their runways quickly, over half of their hard*ened shelters* have *now* been destroyed. More have been damaged.

Iraq's navy, never particularly potent, has been devastated and now appears incapable of attempting an assault on allied warships. Although the Iraqi navy captured a number of Kuwaiti boats during the invasion last August, it now has fewer than 40 small boats out of an original force of 100 vessels. Allied forces have especially targeted captured Kuwaiti missile boats equipped with Exocet anti-ship missiles.

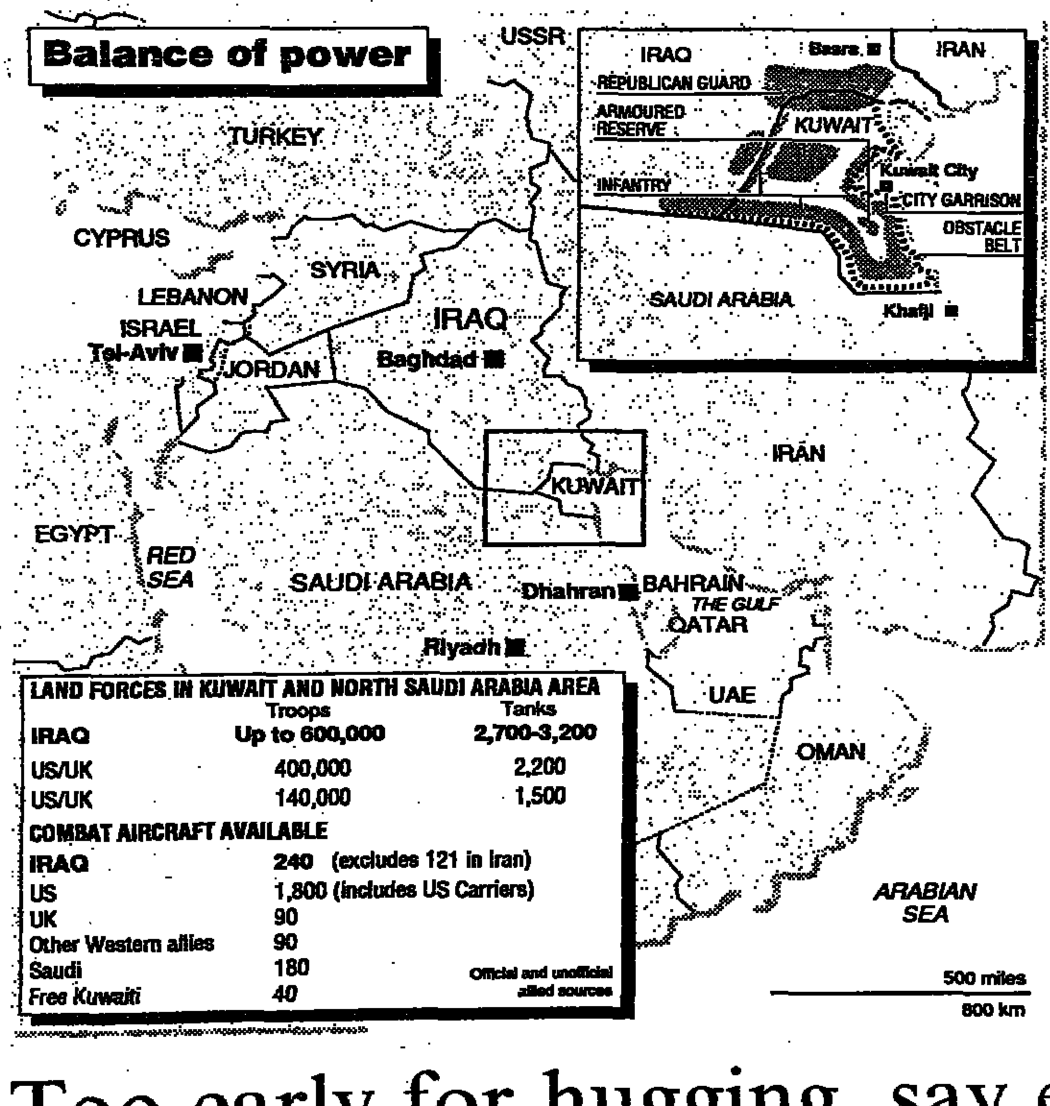
However, despite bombing on an unprecedented scale, the Iraqi army retains much of its power. Even if American claims that 1,300 Iraqi tanks have been destroyed are true, President Saddam's army still has 4,200 tanks. The allies estimate that in the Kuwaiti theatre of operations alone at least 2,700 tanks, 2,100 artillery pieces and 2,200 armoured personnel carriers remain intact.

This means there are more Iraqi tanks in the region than there are available to US, British and French commanders whose forces would spearhead any attempt to retake Kuwait.

The ability of the Iraqis' armour to counter an offensive will have affected by allied raids on Iraq's supply lines, however. The allies have been *especially targeting nodal* points, such as bridges, to deny supplies to Iraqi troops in Kuwait.

Allied raids have halved pre-war traffic from central Iraq to Basra, which was between 150,000 to 200,000 tonnes a day. Rail freight, which was previously 10,000 tonnes a day, has been reduced to zero. Similarly, pre-war traffic from Basra to the Kuwaiti area has been halved from 80,000 tonnes a day.

However, because of the limited and sporadic nature of contacts on the ground between the forces, one critical factor than remains uncertain is the state of morale of Iraq's troops. Deserters have suggested strongly that supply difficulties and constant bombardment are taking their psy*chological toll. But this has yet* to be put to the test.



LAND FORCES IN KUWAIT AND NORTH SAUDI ARABIA AREA

	Troops	Tanks
IRAQ	Up to 600,000	2,700-3,200
US/UK	400,000	2,200
US/UK	140,000	1,500

COMBAT AIRCRAFT AVAILABLE

IRAQ	240 (excludes 121 in Iran)
US	1,800 (includes US Carriers)
UK	90
Other Western allies	90
Saudi	180
Free Kuwaiti	40

Official and unofficial allied sources

Baghdad offer fails to halt bombardment

By **Victor Mallet**

ALLIED aircraft continued their bombardment of targets in Iraq and Kuwait yesterday, uninterrupted by the Iraqi government's conditional offer of a withdrawal from Kuwait or by the furore over civilian deaths in a bombed Baghdad bunker.

As the allies turned their attention increasingly to Kuwait – where they may *have to fight a land battle in* the days ahead – a US military officer said Iraq had reinforced its troops just after the start of the war because poor weather had initially made it difficult for aircraft to hit convoys.

US commanders, however, are confident that they have severely weakened the Iraqi forces occupying Kuwait.

Yesterday the allies reported that at least 41 more Iraqis had deserted across the front line, and Group Capt Niall Irving, the British spokesman, said élite Republican Guard units known as "morale squads" had been moved south to prevent further defections.

A *US F-15* used a laser-guided bomb to destroy a hovering Iraqi helicopter, and a British Lynx naval helicopter hit and set ablaze an Iraqi vessel which had been used for mine-laying.

One US naval A-6 aircraft *was pushed overboard from an* aircraft carrier after its brakes apparently failed on landing, and the British confirmed the loss of one Tornado ground attack aircraft to a surface-to-air missile.

The allies believe they have *severely blunted Iraq's ability* to fire Scud missiles at civilians in Saudi Arabia and Israel. The missiles which broke up in the air over the northern Saudi town of Hafr al-Batin on Thursday were fired from north of Baghdad instead of from near the border.

Israel spurns linkage of withdrawal with occupied territories

By **Hugh Carnegy** in Jerusalem

ISRAEL yesterday firmly rejected any linkage of Iraq's *withdrawal from Kuwait to an* Israeli withdrawal from the occupied Arab territories.

The office of Mr Yitzhak Shamir, the prime minister, said linkage to an Israeli withdrawal from Palestinian lands, and the Golan Heights and a strip of south Lebanon, was unacceptable to both Israel and Washington as it had been throughout the Gulf crisis.

Mr Moshe Arens, the defence minister, said the Iraqi move showed that President Saddam had begun to realise the difficulties he was facing. Mr Yit*zhak Rabin*, a former prime minister and defence minister, called it "the beginning of weakness" and said continued determined bombardment by the allied forces would break the Iraqi regime.

Mr Rabin, however, echoed *concern that the statement* was an attempt to drive a wedge between the US and key countries that so far backed its stance in the Gulf, such as the Soviet Union. The Baghdad statement was intended "to sow disagreement within the international alliance, to create confusion, to create expectation," he said.

Israeli leaders are anxious that Baghdad's conditional offer to quit Kuwait should not lead to President Saddam's regime surviving the Gulf war.

The government was reassured by initial reactions from the US and its anti-Iraq allies rejecting the Iraqi offer as unacceptable because of the range of conditions attached.

From the earliest days of the Gulf crisis, Israel has made it plain it would be dissatisfied with any outcome short of the removal of President Saddam and his military power, which is seen as posing a long-term strategic threat to its own security.

Israel is worried that a ceasefire now would leave President Saddam in power with at least a large part of his conventional army intact – including an albeit reduced capacity to hit *Israel with Scud-B ballistic* missiles, more than 30 of which have struck Israel in the course of the war, killing several people, wounding several hundred and damaging thousands of homes.

Israel is also concerned *about the possibility of* President Saddam turning defeat into victory by tapping into popular support in the Arab world, especially in the occupied territories, Jordan and perhaps Syria.

Despite being weakened militarily, this could galvanise anti-Israeli feeling to the point of posing a threat along Israel's eastern front.

The government – as Mr Shamir's remarks indicate – hopes that a fear of President Saddam among Arab countries countries such as Syria and Saudi Arabia, *otherwise hostile* to Israel, will be sufficient to persuade them to continue to support the war against Iraq.

Mr Shamir, leader of the hardline Likud party, has shown no inclination to yield on his refusal to cede land in exchange for a settlement of the Palestinian issue even if the war ends how he wishes.

But if President Saddam survives the conflict in any form which allows him to claim some sort of moral victory, then the Israeli government would undoubtedly bring the shutters down on any post-war peace efforts which called for Israeli concessions.

A further factor for Israel is that any suggestion that President Saddam is in some way sliding off the hook would increase the prospect of an Israeli military intervention.

So far, Israel has shown restraint in the face of repeated Scud attacks by Iraq. However, Mr Shamir has been careful throughout to say that *Israel would retaliate against* Iraq in an appropriate way and at an appropriate time.

Jordan calls for response to 'sincere' declaration

By **Mark Nicholson** in Amman

JORDAN yesterday described the Iraqi statement as a "sincere" declaration of intent to withdraw from Kuwait and urged coalition countries to seize the chance to open talks *with Baghdad*.

Mr Tahir al Masri, Jordan's foreign minister, called on the Soviet Union and European countries to respond quickly and positively "to offset American scepticism" over the initiative.

He told the Financial Times he saw the statement as "a serious and sincere declaration of Iraq's intention to withdraw".

Mr Ibrahim Izzedin, Jordan's information minister, described the statement as a "real, good opening which everyone should seize". He added: "There are a few other conditions which should and could be discussed, but what is new, and rather dramatic, is the acceptance of withdrawal."

"The most important thing is the plain and direct acceptance of UN resolution 660 and the mention of withdrawal," the minister said. "These are the two major points which will make it easy to go into a negotiated settlement."

He said: "The next step is to sit around a conference table."

Jordanian officials said they had expected Washington's reaction to be negative, but stressed the possible role of the Soviet Union and some European countries in keeping the initiative alive.

King Hussein offered no *comment yesterday although* it is likely he will have welcomed the Iraqi statement. Throughout the crisis the king has advocated both Iraq's withdrawal from the emirate and linkage of such a pull-out with moves to address the Palestinian problem – the central pillars of Iraq's statement.

Mr al Masri suggested the timing of Iraq's statement may have been prompted by the visit to Baghdad this week of Mr Yevgeni Primakov, the Soviet special envoy, and expressed optimism for the *outcome of tomorrow's visit to* Moscow by Mr Tariq Aziz, the Iraqi foreign minister.

"There have to be positive statements coming out of Europe and the Soviets," he said. "We know that the Americans shall react in a different way."

Many Jordanians yesterday welcomed the statement with some relief as offering the prospect of an end to the bombing of Iraq, which has caused widespread and deep anger.

"It's great," said one leading academic. "No Jordanian, no Arab, and no Iraqi for that matter wanted this war."

However, there were no overt displays of celebration in Amman yesterday, but rather several angry protests at the *coalition bombing of an Iraqi* air-raid shelter.

Police clashed briefly with a group of 300 or so demonstrators earlier yesterday to prevent them from marching on the heavily guarded US embassy.

There were no arrests during the clash and no one was badly hurt.

Too early for hugging, say exiled Kuwaitis

By **Richard Donkin**

MR Gahzi al-Rayes, Kuwait's ambassador to the UK, was sporting a Free Kuwait Badge in his lapel yesterday morning with a letter "D" added to make the word "Freed". "I wrote it there with a pen as soon as I heard Iraq's announcement," he said.

Initial excitement among the Kuwaiti community in exile was soon tempered by caution when it was learned that conditions had been attached to any withdrawal. Mr Gahzi, however, said he remained optimistic and that he *believed* the announcement would lead to a popular momentum in Iraq towards withdrawal.

He said: "It was probably designed to gain more time but after yesterday's bombing I think the Iraqi people have forced the top brass to do something about this and stop the destruction to their country."

Mr Gahzi said that only complete compliance with the UN resolution demanding the unconditional withdrawal of Iraq from Kuwait was acceptable to the Kuwaiti government.

Until President Saddam Hussein delivered a clear-cut commitment to leave quickly with defined dates agreed by the coalition forces, he said, the war *would continue. He dismissed* the idea of any relaxation of bombing as an allied gesture.

He also outlined Kuwaiti priorities at the end of the war. Security, he said would be discussed among Gulf Co-operation Council countries and Kuwait would demand reparations of Iraq.

The Kuwaiti government, he said, would strive to rebuild the country to its previous position within five years.

Mr Gahzi's brother, Mr Sabah al Rayes, helping out at the embassy, said he had been disappointed when he heard of the conditions. Days ago he received a letter dated January 29 from his wife. She is still living in Kuwait with their children. The letter had been passed on by a Jordanian friend.

"They are living in a basement. There is no food except what they have in tins. Water is turned off between 6am and 6pm and there is no gas for cooking." He said anti-aircraft guns had been erected in the neighbouring house and in schools in the surrounding area.

One of his brother-in-laws, he said had been shot by Iraqi forces. "They killed him in front of his wife and nobody was allowed to touch the body for four hours. They were not allowed to bury him before they got a death *certificate from Bagdhad saying he had* died of natural causes," said Mr Sabah.

Ms Sawan Ahmed, a member of the Free Kuwait Campaign, with offices in London, said that first reactions to the Iraqi announcement among the 4,000 to 5,000-strong Kuwaiti community in the UK had been restrained. She said: "Although we were happy we were very sceptical because we thought there must be something fishy about it.

"The moment he said that there were conditions our scepticism turned into reality. There will be no hugging. The only day you will see us hugging each other is when we see Saddam's tanks leaving Iraq to be replaced by allied forces."

Even after the Iraqi conditions were announced, the ambassador said he remained hopeful that the Iraqis would soon begin to withdraw. He said: "Saddam Hussain wants to save his neck. He is only interested in that. He wants to rule Iraq for another term but I think *this is not possible. The Iraqi people* will deal with him." He touched the letter "D" on his badge. "Hope usually lets you do something and this is the beginning of hope."

● Kuwait's exiled crown prince, Sheikh Saad al-Abdullah al-Sabah, said yesterday he saw nothing new in Iraq's declared willingness to withdraw conditionally from Kuwait, Reuter reports from Nicosia.

Most of Europe sceptical about Iraq's offer

By **Robert Mauthner** in London and **Ian Davidson** in Paris

EUROPEAN governments, with only a very few exceptions, reacted sceptically to Iraq's conditional offer to withdraw from Kuwait because it did not meet the demands made in United Nations Security Council resolutions.

After meeting with German Chancellor Helmut Kohl in Paris, French President François Mitterrand said the Iraqi proposal was unacceptable as it stood.

Resolution 660 of the UN Security Council stated specifically in its second paragraph that "Iraq withdraw immediately and unconditionally all its forces from Kuwait," Mr Mitterrand said. However, in its present form, the Iraqi proposal not only did not respond to this demand, but multiplied conditions.

Asked if the proposal contained nothing new, the French President said: "Yes; in contrast with his previous categoric statements, this time President Saddam Hussein envisages the evacuation of Kuwait."

The Iraqi proposal seemed to have more to do with a propaganda diplomacy than with a real will to submit to the UN resolutions which, he stressed, "remain our law."

Mr Kohl, speaking at the same news conference as President Mitterrand, agreed with his French host. "It (the Iraqi proposal) links a whole series of preconditions to a withdrawal," the German Chancellor said. "Anyone who examines the conditions can see straight away this is not a reversal of the Iraqi position."

A more optimistic note was initially struck by Mr Gianni de Michelis, the Italian Foreign Minister, who was visiting Paris for talks with German Foreign Minister Hans-Dietrich Genscher and French officials. But the Italian Foreign Minister later modified his position as he learned more about the details of the Iraqi statement.

Mr de Michelis first of all welcomed the Iraqi offer, saying it was a positive sign. "It seems to me there are important new things in this offer. It is a very important and positive sign," he said.

Later, however, Mr de Michelis said the proposal set unacceptable conditions, though it was important as a first recognition of UN resolutions on the Gulf crisis.

"Bush's statement . . . says what we all say; that some of the conditions imposed by Iraq are unacceptable," he said. But he added that the Iraqi offer should not be underestimated, as it was the first time Baghdad had recognised the validity of the UN resolutions on the Gulf.

"It is a success for the UN and the coalition," he said.

Mr de Michelis, who is to fly to Moscow today a member of the European Community "troika" of foreign ministers, said they were arranging a meeting with their Soviet colleague, Mr Alexander Bessmertnykh, but had no plans to meet Mr Tariq Aziz, Iraqi Foreign Minister.

Mr Felipe Gonzalez, the Spanish Prime Minister, said the Iraqi offer should be treated with "extreme caution." At the same time, it could be regarded as "the first piece of positive news in more six months."

Mr Gonzalez tried to dispel doubts about Spain's wide-ranging logistical support commitment to the allied forces in the Gulf, following Thursday's announcement that he had sent a letter to US President George Bush asking him to put a halt to the bombardment of Iraqi cities and to concentrate on military targets inside Kuwait instead.

"Our solidarity with the coalition forces is unalterable," he said, adding that this position would be maintained until Iraq withdrew unconditionally from Kuwait.

Spanish-US military bases in Spain have played a key role in transporting troops and equipment to the Gulf and US B-52 bombers have launched raids from an airbase near Seville.

Three Spanish warships are helping enforce the United Nations embargo against Iraq, but Madrid has said its forces will not take direct part in combat.

The European Community said it was sending three foreign ministers to Moscow today, but the talks would not focus exclusively on the Gulf War, Reuter reports from Luxembourg. The visits appeared to be part of a flurry of Soviet diplomacy aimed at mediating in the war.

However Luxembourg, current president of the EC, insisted that the talks were entirely separate from a visit to Moscow by Iraqi Foreign Minister Tareq Aziz, due to arrive on Sunday.

Luxembourg officials said that besides the Gulf, the talks would cover tension in the Soviet Baltic republics and possibly Eastern Europe and South Africa as well.

Major dismisses proposal as 'bogus'

By **Robert Mauthner** and **Alison Smith**

THE BRITISH government yesterday reacted negatively to President Saddam Hussein's latest peace proposals, with ministers insisting there was no evidence of a decisive change in the Iraqi position.

Prime minister John Major dismissed the offer as "a bogus sham", adding that it would not change the coalition's military plans in the Gulf.

"As further details have become apparent through the day, it has become crystal clear that there seems to be a very large number of conditions attached to the apparent offer that had come out of Baghdad earlier this morning," Mr Major said.

"That is very disappointing. But it does look as though it is not a serious attempt to reach a conclusion, but something of a bogus sham. He has added fresh conditions to those that applied before and nothing to indicate that he is going to make a swift, unconditional and complete withdrawal from the land he has occupied and has been maltreating for some time."

The prime minister did, however, accept there was one positive aspect in the Iraqi proposal, namely that it was perhaps the first indication that Mr Saddam Hussein now knew and accepted he could not win.

Mr Douglas Hurd, the foreign secretary, also said Iraq's conditions for withdrawal from Kuwait were "unacceptable".

"One is driven to the conclusion that they [the Iraqis] must be playing for time." The Iraqis were trying to link the Kuwait and Palestinian problems, as well as various other regional issues with conditions which did not make sense and which they must know were unacceptable, Mr Hurd said.

Evidence of Iraqi withdrawal had to be "decisive and irreversible," he said. The foreign secretary did not believe the Soviet Union, which fully supported the UN Security Council resolution calling for Iraq's unconditional withdrawal from Kuwait, would go along with a solution with so many conditions.

Mr Hurd did not think the Iraqi proposal could be considered a move towards peace. It sounded more like a move trying to delay and confuse. "It sounds like the aggressor trying to put up a smokescreen, trying to throw dust in our eyes, when the aggression is going to be reversed."

By contrast to the government's attitude, the opposition Labour party was much more optimistic about the Iraqi proposal. Mr Neil Kinnock, the Labour leader, described it as "a major change of direction" for the Iraqi regime.

While agreeing that a cautious response was needed, Mr Kinnock said the Iraqi statement showed the United Nations' policy was "on the way to success". Knowing the nature and record of Mr Saddam Hussein and his regime, it was important to require his unequivocal commitment to withdraw from Kuwait unconditionally, under the terms of UN resolution 660.

He challenged President Saddam Hussein, as a way of demonstrating his real intentions, to release all the coalition's prisoners-of-war.

Mr Tom King, the UK defence secretary, said the Iraqi announcement would not gain President Saddam Hussein any breathing space or halt the momentum of the allied campaign.

Moscow receives news with 'hope and satisfaction'

By **Quentin Peel** in Moscow

THE SOVIET Union yesterday gave a positive initial response yesterday to the Iraqi announcement, saying it was received "with satisfaction and hope."

It coincides with a Soviet initiative to promote peaceful resolution of the conflict, which yesterday brought Mr Ali Akbar Velayati, the Iranian foreign minister, to Moscow. On Sunday Mr Tariq Aziz, the Iraqi foreign minister, is due to arrive in the Soviet capital for talks.

The immediate reaction from the Soviet Foreign Ministry yesterday was cautious. It refused to comment until the statement had been thoroughly studied.

However Mr Vitaly Ignatenko, press spokesman to President Mikhail Gorbachev, soon issued a statement saying: "The positive news from Iraq has been received with satisfaction and hope in Moscow."

Mr Alexander Bessmertnykh, the Soviet foreign minister, confirmed the reaction. As he started talks with Mr Velayati, he told correspondents that the Iraqi broadcast "opens up a new stage in the development of the conflict. This is an important beginning. We shall study this document attentively."

He said that a final conclusion should be possible after the Soviet talks with Mr Aziz, but added: "Everything looks rather encouraging."

The positive Soviet response reflects the growing urgency of Soviet moves to promote an end to the fighting and peaceful resolution of the Gulf conflict, which was stepped up when Mr Yevgeny Primakov, President Gorbachev's special envoy, flew to Baghdad for talks with President Saddam Hussein this week.

He returned from the meeting saying there was some hope of flexibility, although Soviet foreign ministry officials insisted that this indicated only very cautious optimism. Indeed Soviet officials yesterday again stressed – before the Iraqi statement – that they had received no concrete proposals from Baghdad.

In spite of the Soviet desire to promote a ceasefire, Mr Gorbachev has been firm in his support for the UN resolution on the need for Iraq's unconditional withdrawal from Kuwait. That makes the positive response to the highly conditional Iraqi statement more surprising.

The Soviet leader does face an important domestic constituency which is concerned at the Gulf conflict, and at the tacit Soviet support for a US-led attack on Iraq, formerly one of Moscow's most important Middle Eastern allies.

Sympathy for Iraq has been expressed in a growing number of conservative newspaper commentaries, suggesting that the allies' bombardment of the country might be overstepping their UN mandate.

The latest, in Izvestia, the government newspaper, a commentator suggested that the Desert Storm allied campaign should be renamed Desert Slaughter, after the massive bombing raids on Basra and Baghdad. "Our conscience is misplaced now, because in this slaughter we appeared to be on the side of the murderers," commentator Stanislav Kondrashov wrote.

Two Moslem republics, Azerbaijan and Uzbekistan, have passed resolutions in their parliaments expressing concern at the trends in the war.

The Soviet military, now one of Mr Gorbachev's key allies in his attempts to impose his own authority on the increasingly rebellious Soviet republics, also has close ties with the Iraqi leadership, and is certain to back every possible effort to end the fighting quickly.

Members of the 2nd US Armoured Division in Germany tie yellow ribbons round a tree ready to greet the troops they hope are coming back soon

UN delays debate to assess initiative

By **Michael Littlejohns**, UN Correspondent, in New York

THE United Nations Security Council postponed a resumption of its closed-door debate on the Gulf war yesterday while delegates assessed Iraq's conditional offer to withdraw from Kuwait.

The council on Thursday began a closed-door formal meeting on the Gulf crisis, its first since before the war broke out. Iraq's ambassador gave no hint of any intention to offer a withdrawal from the emirate. Formal debate was due to resume late last night.

Mr Javier Pérez de Cuéllar, the secretary-general, in his first reaction to the Iraqi announcement, said it deserved careful consideration but would not comment further until he had studied the text of the statement. However, he confirmed that he was already examining what role he and the UN might play in the Gulf after the war.

Initial western reaction at the UN was almost wholly negative and Mr Mohammad Abul Hassan, the Kuwaiti Ambassador, called it "very, very bad". Mr Abdalla Ashtal, of Yemen, the council's only Arab member, warmly welcomed the news from Baghdad.

"The most important thing is that Iraq has responded favourably, saying it would be ready to withdraw, and this is a major political, diplomatic break-through," he said.

The Council should now seize the opportunity this afforded and thus avoid a catastrophic ground war, he said.

Yemen and Cuba, both of which cast the only votes against the resolution authorising force to free Kuwait, are expected to re-double their efforts to muster support for a ceasefire call, regardless of opposition by the US and the UK, which have veto powers.

The Yemeni delegate said a cessation of hostility should be followed by the establishment of a UN presence in Kuwait and negotiations on the outstanding issues.

In a brief meeting, Mr Thomas Pickering, the American delegate, told the Yemeni delegate he had counted nine conditions that made the offer unacceptable.

UN SECURITY COUNCIL RESOLUTION 242 November 22 1967

The Security Council expressing its continued concern with the grave situation in the Middle East,

Emphasising the inadmissibility of acquisition of territory by war and the need to work for just and lasting peace in which every state in the area can live in security,

Emphasising further that all Member States in their acceptance of the Charter of the United Nations have undertaken a commitment to act in accordance with Article 2 of the Charter.

1. Affirms that the fulfilment of Charter principles requires the establishment of a just and lasting peace in the Middle East which should include the application of both the following principles:

(i) Withdrawal of Israel armed forces from territories occupied in the recent conflict;

(ii) Termination of all claims or states of belligerency and respect for the acknowledgement of the sovereignty, territorial integrity and political independence of every State in the area and their right to live in peace within secure and recognised boundaries free from threats or acts of force.

2. Affirms further the necessity (a) For guaranteeing freedom of navigation through international waterways in the area; (b) For achieving a just settlement of the refugee problem; (c) For guaranteeing the territorial inviolability and political independence of every State in the area, through measures including the establisment of demilitarised zones.

3. Requests the Secretary-General to designate a Special Representative to proceed to the Middle East to establish and maintain contacts with the States concerned in order to promote agreement and assist efforts to achieve a peaceful and accepted settlement in accordance with the provisions and principles in this resolution;

4. Requests the Secretary-General to report to the Security Council on the efforts of the Special Representative as soon as possible.

Source: UN Document S/RES/242 (1967)

UN SECURITY COUNCIL RESOLUTION 660 August 2 1990

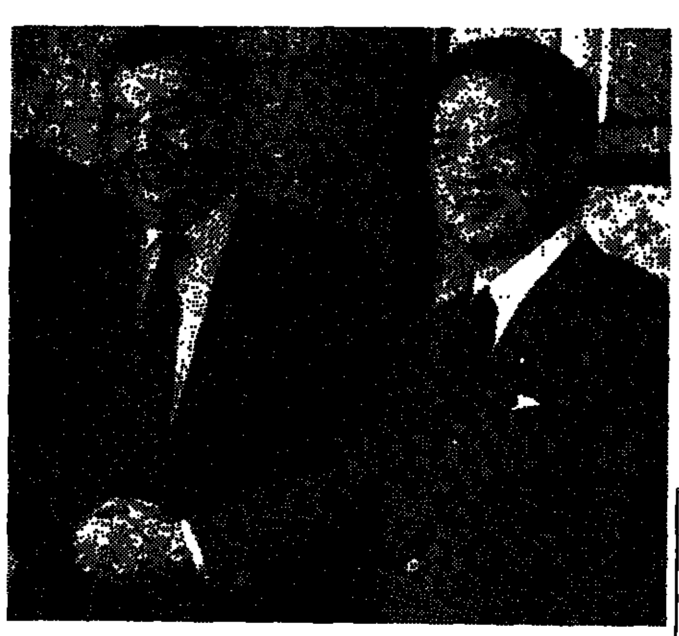
The Security Council; Alarmed by the invasion of Kuwait on August 2, 1990 by the military forces of Iraq; Determining that there exists a breach of international peace and security as regards the Iraqi invasion of Kuwait; Acting under Articles 39 and 40 of the Charter of the United Nations;

1. Condemns the Iraqi invasion of Kuwait,

2. Demands that Iraq withdraw immediately and unconditionally all its forces to the positions in which they were located on August 1, 1990,

3. Calls upon Iraq and Kuwait to begin immediately intensive negotiations for the resolution of their differences and supports all efforts in this regard, and especially those of the Arab League,

4. Decides to meet again as necessary to consider further steps to ensure compliance with this resolution.



Japan's premier, Toshiki Kaifu (right), greets Soviet envoy Yevgeny Primakov before their meeting yesterday

Japanese cabinet takes pay cut to aid Gulf fund

By **Stefan Wagstyl** in Tokyo

MR Toshiki Kaifu, the Japanese prime minister, and his cabinet yesterday agreed to take a 10 per cent pay cut to help fund Japan's contribution to the cost of the Gulf War.

Ministers hope the decision will aid efforts to win support for a $9bn contribution Japan has pledged to the US-led multinational forces.

The move was proposed by Mr Misoji Sakamoto, the chief cabinet secretary, who suggested ministers forgo 10 per cent of their salaries for one month. But in a flush of enthusiasm ministers voted to cut their pay for the same length of time as proposed new "Gulf War" taxes are imposed – probably for a year. One minister said: "The total amount of money is not that big but it's symbolic. It's important for the government to show its support (for the allies) in this way."

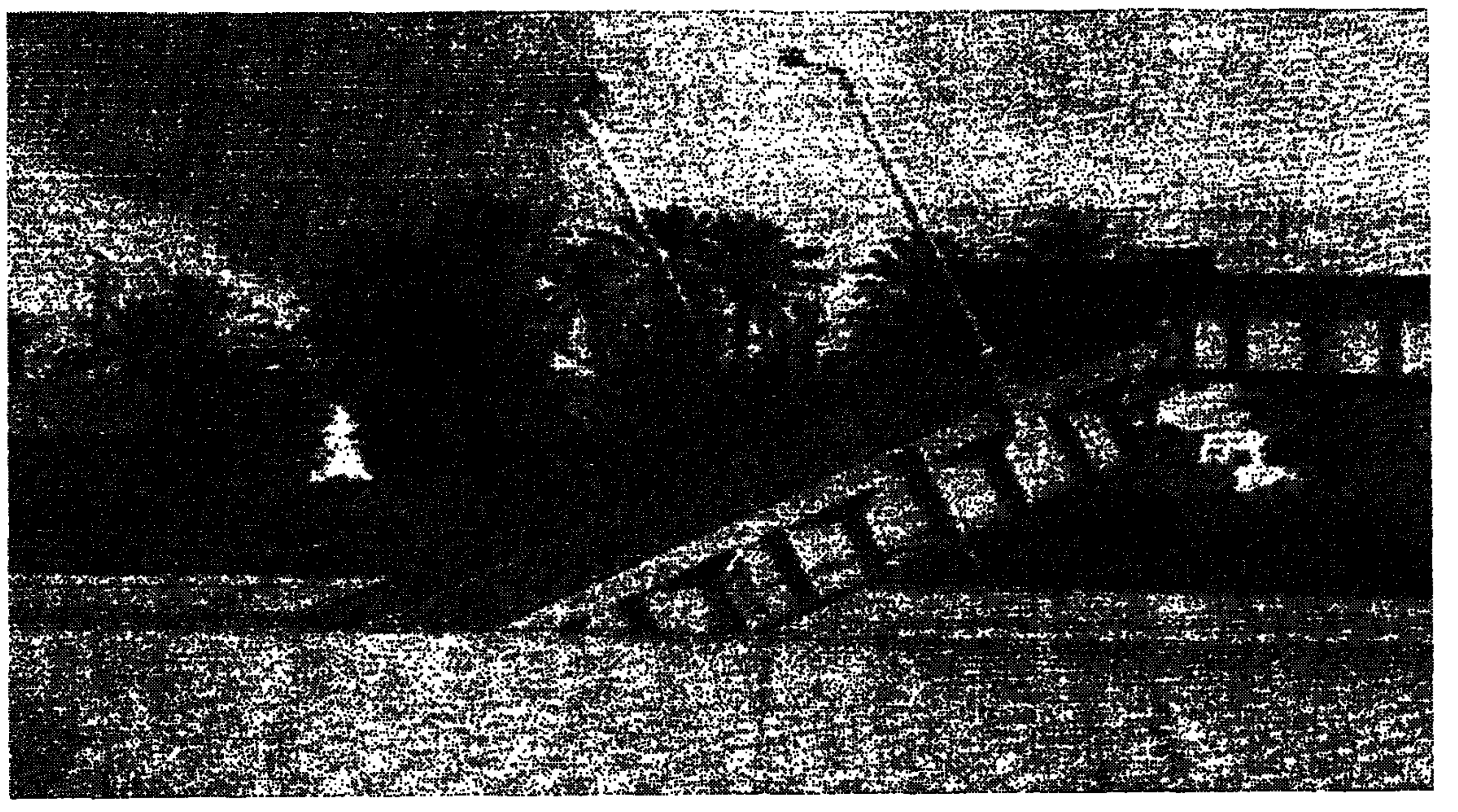
Cabinet ministers are paid Y1.447m (£5,600) a month. Symbolic pay cuts are a common way for Japanese politicians and senior executives to make public gestures. Ministers' pay was cut in 1975 when the government introduced austerity measures in the wake of the first oil shock. Most leading Japanese politicians are wealthy men.

The ministerial pay cut is tiny part of Y300bn savings in government spending agreed yesterday to fund the latest Gulf contribution. A further Y200bn is to come from non-tax revenues and the remaining Y700bn from tax increases.

The future for Baghdad's oil-dominated economy depends on the goodwill of its current enemies

Economic stranglehold that may finish off Saddam

The combination of debts, reconstruction costs, and reparations threatens to leave Iraq financially weak and helpless after the war, writes **Robert Graham**



The bombed bridge across the Euphrates at Nasiriyah. Iraq's demand for reconstruction costs reflects its economic vulnerability

THE bluster of war propaganda has obscured Iraq's enormous economic and *financial vulnerability*. If, or when, it does withdraw from Kuwait, this vulnerability is going to be exposed and could determine the fate of President Saddam Hussein, assuming he is still in power.

Yesterday's statement explicitly acknowledged Iraq's precarious economic position by demanding full reconstruction of all facilities damaged in more than four weeks of sustained aerial bombardment and cancellation of the country's *foreign debt, estimated at* $75bn. Among developing countries, only Mexico and Brazil owe more and their debt has not been incurred, to the extent Iraq's has, by military spending.

The 28-nation allied coalition is likely to pursue by means of economic warfare whatever it fails to achieve in battle. The United Nations trade embargo imposed last August can be expected to remain in force to ensure Iraq cuts back its mili*tary machine and eliminates* that part of its unconventional weapons capacity which has escaped allied bombardment.

Before the embargo, Iraq sold 47 per cent of its exports to members of the coalition now backing Operation Desert Storm and relied upon them for 70 per cent of its imports. A defiant Iraq under President Saddam would face far worse gradual decay than ostracised Cuba or Vietnam. It has less capacity to feed its 16m population than either of these countries with the agricultural system dependent upon complicated irrigation and highly saline soils. Before the embargo Iraq's annual foodstuffs bills was $2.5bn.

Even if the unity of the UN *breaks, the main players in the* anti-Saddam alliance will institute their own embargo. Mr James Baker, US secretary of state, has pledged American aid in the reconstruction of Iraq once the war is over. But the pledge is clearly predicated on Mr Saddam's behaviour.

The issue of reparations for the rape of Kuwait plus its foreign debt, half of which has been contracted with Saudi Arabia, Kuwait and the other Gulf states, will be used to ensure that Mr Saddam either steps down or is humbled.

In January, Mr Abdel Rahman al-Awadi, Kuwait's minister of cabinet affairs, said that losses caused by Iraq's invasion had reached $64bn. Iran still is holding out for unspecificed reparations for the damage caused by eight years of war initiated by Iraq. Kuwaiti and Iranian claims along with outstanding debt could exceed a staggering $200bn.

This figure also ignores all individuals and corporations that have suffered as a result of Iraq's invasion of Kuwait. Over 1.5m foreign workers have been obliged to leave Kuwait and Iraq.

Payment of principal and *interest on such reparations* would absorb all Iraqi oil revenues for the next 20 years on optimistic projections of oil prices. On an average price of $20 a barrel, Iraq's net annual income would have a $15bn ceiling, according to oil experts. This assumes all the facilities can be up and running quickly.

Of Iraq's foreign debt, $14bn is owed to Kuwait. In private, both the Kuwaitis and the Saudis have intimated they would be prepared to ignore any punitive aspect of these debts and claims – provided Mr Saddam ceases to rule Iraq. The Soviets, with up to $20bn owed mainly in military credits, might wish to retain a hold on Iraq by playing the debt factor. But they would not wish to be seen backing a loser.

Even if these debts were partly to be settled, any payment in this respect and for future imports presupposes Iraq's ability to export crude oil. For Iraq's reserves are liable to have been run down and it cannot rely indefinitely on the undisclosed sums robbed from banks in Kuwait.

Iraq, with the second-largest oil reserves after Saudi Arabia, receives 98 per cent of its foreign exchange from the oil industry. However, the country is more than 85 per cent dependent upon the goodwill of Saudi Arabia and Turkey, its neighbours – and current enemies – to permit the transit of crude through pipelines. Much of Iraq's pre-war food requirements passed through Turkey by road. *Another pipeline* through Syria to the Mediterranean has long ceased to be used because of the bitter split 10 years ago between the Iraqi and Syrian Ba'ath parties.

Last year Iraq was just beginning to recover from the effects of war with Iran and raising oil production to more than 2.7m b/d. Crude was being exported either north via the pipeline to Turkey or south and across the Arabian peninsula to the Red Sea. Only limited loading had been possible from the two shallow offshore terminals at the head of the Gulf. The waterway itself was not being properly used from Basra because of continuing unresolved disputes with Iran.

It is unclear how much of Iraq's oil production infrastructure has been damaged. However, it is known that the vital pumping station which allows crude to be switched through pipelines north to Turkey or south to the Red Sea has been knocked out. Also the offshore loading facilities at Umm Qasr south of the Shatt al Arab, the sole independent export outlet, have been damaged by allied bombing.

Meanwhile the key added value sector of the oil industry – refining and petrochemicals – has been systematically destroyed in aerial bombardment. If the petrochemicals industry requires complete rebuilding, the investment could be up to $20bn.

Before the invasion of Kuwait, Iraq had been courted by contractors from the US, *the EC, Japan, Brazil and* South Korea. Even without the present conflict, officially backed trade and project credits had become a problem. France and Japan for instance had allowed Iraq to run up enormous bills for trade and project credits (at least $3bn is owed to Japan). Fresh disbursements are hard to envisage under any regime.

The international community is already stretched in contemplating how to pay for the combined cost of funding the allied war effort costing maybe $50bn; replacing war losses of materiel; rebuilding Kuwait and Saudi Arabia; and helping those "frontline" states affected such as Egypt, India, Jordan and Turkey. Not even Iran, which has been playing *such a crucial neutral role*, has been promised money for losses incurred, while Israel is busy submitting its own list of expenses.

Iraq would therefore come probably at the bottom of the money queue despite its reconstructions problems being infinitely greater than those of Kuwait. For instance, the population centres tend to follow the river systems of the Tigris and the Euphrates. The systematic bombing of bridges, especially in the populous and more industrialised south, will have caused major dislocation in transport by both road and rail.

Equally important damage to power stations and the national grid cannot be quickly restored. The national grid is either shut-down or knocked down. This is in turn will have a major impact on restarting *industrial plant*.

Last, economic development will have to take account of the way Baathism has created an inefficient state-dominated economy with a small private sector. The privatisations initiated in the past two years have mainly appeared a means for the ruling elite and Mr Saddam's friends and family from Takrit to acquire a greater slice of the action. Thus if Mr Saddam were to go, he would leave not only a crippled state-*dominated economy but most* of private activity in the hands of people liable to go too.

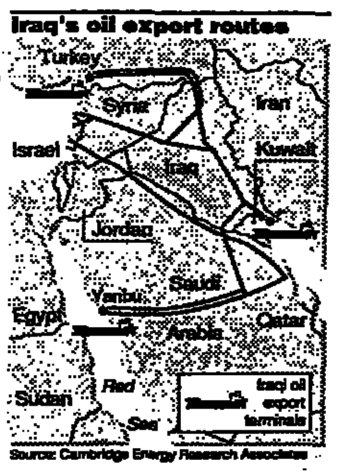
In short, Mr Saddam is the prisoner of an oil economy and the nature of Iraq's frontiers that give no proper sea access. Reconstruction of the extensive war damage that has set development back perhaps more than 15 years is solely possible on the basis of a co-operative Iraq.

● Rebuilding Iraq's damaged oil refineries could take up to three years and 10 billion dollars, oil industry experts say, **Reuter reports from New York.**

Exactly how much damage allied bombers have inflicted on Iraqi oil fields and installations is not known, but the experts expect production complexes to come back on stream faster than the refinery operations.

Petroleum Intelligence Weekly, an industry newsletter, has reported heavy damage to Iraq's biggest refinery, Salah *al Din, which can process* 300,000 barrels of oil daily, and lesser damage at the 140,000b/dBasra and 95,000b/d Dora refineries.

Iraq's oil export routes



Source: Cambridge Energy Research Associates

Early share price gains seen at best as dress rehearsal for eventual outbreak of peace

Boardrooms wake up to a false dawn

By Our Industrial and Foreign Staff

MR Roger Hurn, the chief executive of Smiths Industries, the aerospace and medical equipment group, leapt across his office to look up his company's share price on his television.

He had just had a call that the stock market had gone wild and Smiths' shares had surged on a rumour that Iraq had agreed to pull out of Kuwait. As Smiths executives examined the Iraqi statement it quickly became apparent that it was not all that it seemed. The sudden surge of excitement passed.

This scene was probably repeated in boardrooms from Dusseldorf to Detroit as executives attempted to make sense of the statement and the shock it delivered to stock markets.

In the event it seems to have been a false dawn. At best the early gains in share prices might be seen as a precursor for the boost to business confidence which will be delivered eventually by the end of the war: a dress rehearsal for the outbreak of peace.

More realistically the gyrations in business confidence yesterday were just further proof of the instability and uncertainty bred by the conflict. Since last August even the mightiest corporations have found their stock prices prey to utterances from Baghdad. Saddam Hussein holds them on tenterhooks.

There is little doubt that peace is desperately needed by the airlines, hotels and travel businesses which have suffered most since the outbreak of war. Many were hoping a quick end to the war would limit the spread of the damage into industries which supply the airlines, such as aerospace equipment manufacturers.

Mr Jean Pierson, managing *director of Airbus Industrie, the European aircraft manufac*turing consortium, said recently: "If the war is over or clearly about to end by the start of March then there will be a pick up in traffic and orders. But a long war which lasts until May or June will have a serious impact."

For construction and telecommunications groups seeking to win contracts to help to rebuild Iraq and Kuwait yesterday's statement at first seemed, as one executive put it, "to fire the starting gun" for the serious work. By the end of *the day their hopes were* dashed.

The initial reaction from the US business community was cautious. Early optimism dwindled sharply after President George Bush described the offer as a "cruel hoax". "We could surely do with some good news," commented a senior executive at one large New York-based store chain, badly hit by the slump in retail sales and fierce price-discounting. "I'm just not sure that this *is it*."

The movements in the French equity market showed the end of the war would not benefit industry equally. Hotel and transport related stocks were among the main winners, with the Club Med holiday group, Accor, the hotel company and Sextant, a components supplier to Airbus Industrie, leading the market with 10 per cent share price gains.

The prospect of lower oil prices hit oil stocks, especially the state-controlled Elf Aquitaine, while defence groups saw their share prices fall.

*Leading businessmen fol*lowed the extreme caution of the French government and refused to comment until the nature of the Iraqi offer became clearer.

In Germany, the news led to hectic action on stock markets, with Frankfurt's DAX index closing 3 per cent higher on a day which had already begun firmly. However, as doubt about the genuineness of the Iraqi proposal set in, shares eased in after-hours trading.

On the DTB, the Frankfurt futures and options market, trading was extended by an hour to deal with a massive flow of orders. Mr Dieter Rath, of the Federation of German Industry (BDI) noted that even if the Iraqi statement marked the end of the war, it would be a long time before the effects of the Gulf crisis wore off. He said: "Even when the war does end, this does not mean that goods will start rolling into the area as reconstruction takes place. There will have to be a peace conference to work out long-term solutions; it is is not *just a matter of ending the* war."

At best the apparent false alarm may have alerted companies to the need to be prepared for the end of the war and a possible surge in confidence.

In some economies already in the grip of recession such as the US and the UK the end of the war is unlikely to signal the end of economic difficulties. As a US airline executive put it: "What peace will tell us is whether travel has dropped *off just because of the Gulf, or* whether it's from the softening economy. That's yet to be seen."

It was a sentiment echoed by a manager at a large British manufacturing group: "The end of war will just concentrate minds on how bad the economy is. That is the really important issue."

War takes its toll of the admen's profits

By Alice Rawsthorn

Thumbs up from a soldier on a TA commercial. But most advertisers have shied away from military themes

THE SCENE is a military exercise in northern Germany. Soldiers plough through the mud. Helicopters hover overhead. An amphibious tank plunges into a river.

This scene is part of a commercial for the Territorial Army now running on British television. Its militaristic imagery looks distinctly incongruous on TV these days. The TA decided to screen the commercial because its members are not being sent to the Gulf and it saw no reason not to advertise. Other advertisers have decided differently. Most advertisements featuring militaristic scenes have been taken off air for fear of offending viewers during the war.

Sensitivity over warlike scenes on commercials is the least of the problems facing the UK advertising agencies. They, like their counterparts in the US, *are suffering severely from* the impact of the war on the advertising market.

When the war started, advertisers in both countries panicked. The reaction in the US was the most extreme. When the big three networks – ABC, CBS and NBC – switched to 24-hour news in the first days of the war, many companies abandoned advertising entirely for fear that their commercials would be screened next to shots of carnage.

The panic has since subsided. The networks have returned to regular scheduling and companies have started to advertise again. None the less both the US and UK advertising markets, which were depressed by the economic *recession even before the war*, are still being affected by the war.

In the US some companies still refuse to screen commercials during news programmes. Others whose businesses have been badly affected by the war – notably airlines, travel groups and oil companies – have cancelled or scaled down their advertising for the duration of the conflict.

Any advertisements with militaristic imagery, or even Middle Eastern scenes such as desert landscapes, are still being kept off the air. Conversely some companies are trying to tap into the patriotic mood of the moment by introducing patriotic themes to their advertisements.

Anheuser-Busch, the brewery, has resurrected a six-year-old Budweiser beer commercial called "Here's to you, America". Lorillard, the tobacco company, has added a patriotic yellow stripe to the corner of its press advertisements for Kent, True and Newport cigarettes. Carson Pirie Scott, the department store, ran a stars and stripes ad in the Chicago Tribune newspaper.

These are the exceptions. The combination of war and recession has taken a dramatic toll on overall advertising expenditure. Many major advertisers – including Procter & Gamble, General Motors *and McDonalds – have* announced cuts in budgets not only for the first, but also for the second quarter of the year.

Advertising Age, the US trade magazine, recently estimated that cancellations on television advertising booked for the second quarter have risen from the usual level of 20 per cent to between 30 and 35 per cent. This poses serious problems, not only for advertising agencies, but also for the TV networks which face heavy bills for their Gulf coverage.

The situation in the UK is less severe. However J. Walter Thompson, one of the largest UK agencies, recently estimated that the Gulf crisis depressed the TV advertising market by £65m in the final quarter of last year and the war itself could remove another £53m in the first quarter of this year.

Airlines and travel companies in the UK have drastically reduced their advertising. Other advertisers whose businesses have been indirectly affected by the fall in foreign travel, such as credit card and drinks companies, are also starting to cut budgets.

Moreover Mr Mike Walsh, chairman of the Ogilvy & Mather agency, suspects that other mainstream advertisers are "using the war as an excuse" to reduce expenditure because of the financial pres*sures imposed by the reces*sion.

This downturn in demand has led to deep discounting on media rates. Mr Ray Morgan, chairman of Zenith, which buys all the media for the Saatchi & Saatchi group's agencies, estimates that TV rates are being discounted by 20 per cent and press rates by 15 per cent. He suspects that the war accounts for at least 5 of those percentage points.

Given that the US and UK economies are still so weak, there is no real hope of a recovery in advertising revenue at least until the war is over. Then, or so the agencies hope, the post-war euphoria will stimulate the advertising market again. In the meantime all they can do is hope that the situation does not deteriorate further.

Traditional caution inhibits markets

By Rachel Johnson, Economics Staff

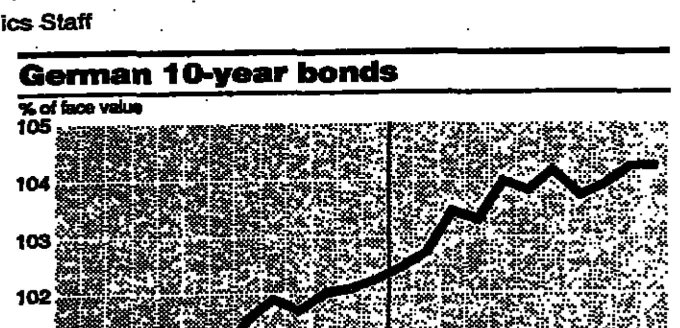
THE NEWSFLASH which hit trading screens just before noon yesterday – *Iraq prepared to withdraw from Kuwait* – elicited the first predictable response from the financial markets since war broke out a month ago.

At least, the first two minutes were predictable. Oil prices fell $2 to around $16 a barrel at the headline suggesting peace could break out and restore better supply conditions and lower prices.

Gold – traditionally the safe-haven investment in times of international crisis – plunged $5 an ounce to around $360. London's stock markets, easily battered by the higher oil prices, hit their highest levels since the start of the Gulf crisis on August 2. The FT-SE 100 share index was 21.4 points higher at 2,315.8 at 11.48 GMT before easing back. The dollar, meanwhile, was higher all over Europe even though the message from the White House was that the Iraqi offer was nothing but a cruel hoax.

Then traditional caution set in. There was a lot for the market to decide and very little information to go on. An additional factor inhibiting activity was the unexpected crash of the oil price and market movements at the outbreak of war.

German 10-year bonds



Prices of equities and bonds rose sharply at the news of early allied success. Accompanied by videos of precision-*bombing*, this information encouraged participants back into the market. Stock markets in the US, Europe and Japan had rises of between 1 per cent and 8 per cent on January 17 and turnover thickened, almost *doubling in some places*.

No trader or speculator wants his fingers burnt as badly at the outbreak of peace. Renowned for their short attention spans, many still bitterly recall the fact that the oil price failed to shoot up to the stratospheric levels predicted by economic pundits.

Instead, the oil price registered the steepest one-day decline on record. It took only one day to convince the markets that the Saudis' oil production would not be taken out by Iraq and the oil price settled calmly to the $20 levels which have since prevailed.

Until now. If the offer proves to be a hoax, yesterday's market movements will be remembered only as short-lived euphoria and prices may swiftly return to war levels. The economic consequences of the Gulf war, rather than the Gulf peace, will continue to drive sentiment and activity.

But if it turns out to be peace, the markets face two big questions: will the end of the Gulf war prompt further falls in the oil price, resurging business confidence, and quicken *world growth? Or will there be* a wholesale switch of attention to the weakness of domestic economies – especially those, such as the UK and US, which are in recession – raising hopes for lower global interest rates, as demand and inflation pressures ease?

The see-sawing of prices yesterday suggests that the markets have yet to decide. Most, however, do not expect the oil price to collapse if peace does break out. For a start, it is realised that the allies will not want to be seen to trade blood for cheap oil. But more than that, according to Mr George Magnus, international economist at Warburg Securities, the markets will be increasingly driven by the news coming out of the domestic economies.

Although a cessation of hostilities will certainly bring relief to already-strained resources of those sharing the war-burden, the war would have to last a very long time to have much impact on the global economy – even on the assumption it costs £1bn a day. The annual gross national product of the developed economies is over $15,000bn a year.

Mr Magnus points out that in Japan, Germany, the US and *the UK prices of benchmark* bonds have risen sharply, and yields have sunk, as the evidence of a global slowdown has mounted. The Gulf war certainly exacerbated recessionary trends and sent business confidence plunging; but its end will not be the catalyst for a sustained recovery. The recessions now in full swing were on the cards well before the Iraqi invasion of Kuwait.

The rises in stock and bond markets which has lasted the war are thus likely to continue. Traders will make judgments on the basis of the economic problems around the world: property in Japan, the banking system in America, the difficulties of ERM membership in Britain, and the costs of reunification in Germany. These problems will still be around, in Gulf war and Gulf peace.

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Weekend February 16/February 17 1991

Not good enough

IRAQ'S Revolution Command Council (RCC) certainly achieved an international sensation with the communiqué it issued yesterday. That was partly thanks to the way it was abridged and (it appears) slightly mistranslated in the first reports. Excitement was rapidly dampened when it transpired that the word first translated as "accept" is more accurately rendered "deal with" and, especially, when the full list of other issues to which the RCC wishes to link a withdrawal from Kuwait emerged.

Even now it is not entirely clear how far these linkages are intended as formal conditions, and how far as debating points. Until this crucial point is clarified, no firm interpretation of the *démarche* can be given. It may be nothing more than a crude ploy, designed to sow dissension among the allies at a moment when their nerve was already strained by controversy over the high civilian casualties caused by the bombing of an air-raid shelter in Baghdad on Tuesday. Or it could indicate that Iraq's rulers are at last admitting the failure of their brazen attempt to annex Kuwait by force, and are beginning a process of self-extrication in which they hope to salvage as much as they can for themselves and their sorely wounded country.

(It is prudent to write "Iraq's rulers" rather than "President Saddam Hussein", even though until now the two expressions have been to all intents and purposes synonymous. It may not be at all significant that Mr Saddam's name was not included in the communiqué, but one has to be on the lookout for the moment when his exclusive control of the policy-making process is loosened. That thought has no doubt struck President George Bush, since he chose yesterday as the moment to point out, for the first time explicitly in public, that "the Iraqi military and the Iraqi people" could end the war if they were to "take matters into their own hands to force Saddam Hussein, the dictator, to step aside".)

Undisputed novelty

The one unquestionable novelty in the RCC's statement is that, for the first time since the day after the invasion of Kuwait, Iraq now speaks about withdrawal. Even on August 9, when Mr Saddam made his previous attempt to link the Kuwait issue with those of Palestine and Lebanon, he spoke only about "arrangements" for Kuwait. Now at least the RCC does speak of "an honourable and acceptable solution, including the withdrawal". In language which has driven the translators to near despair, it goes on to say that "this readiness is the first step needed to be implemented as an undertaking on the part of Iraq on the issue of withdrawal, linked with a full and comprehensive ceasefire on land, air and sea and that the UN Security Council resolves to abolish all the resolutions issued by it".

What does this mean? Is it accepting that withdrawal has to come before anything else, or merely asserting that Iraq has now made the first step by undertaking to withdraw (after which, President François Mitterrand said back in September, "everything becomes possible")? It is not clear. What is clear is the request for a ceasefire while the withdrawal is carried out – reasonable enough in itself – and for revocation of the various Security Council resolutions penalising Iraq. The latter might indeed be held to follow logically from full Iraqi compliance with Resolution 660, but is not acceptable as a precondition for such compliance.

Multiple linkages

Thereafter the statement goes on to list a series of linkages "requested from the Iraqi side": Israeli withdrawal from Arab territories, on pain of being treated as Iraq has been over Kuwait; withdrawal of all US and other foreign troops and weapons from the region, including weapons supplied to Israel "under the pretext of the crisis in the Gulf", within one month of the ceasefire; a "genuine democratic exercise" in Kuwait; reconstruction as new of everything that has been destroyed in Iraq, entirely at the expense of "the states which took part and financed the aggression"; cancellation of all Iraqi debts; abolition not only of the boycott and embargo but of "all the negative measures taken by some of the states against Iraq . . . before August 2"; and finally organisation of regional security without any "outside interference" or foreign military presence.

This list is so long, and in parts so brazenly preposterous, that its authors cannot possibly expect that it would be accepted as a pre-condition for withdrawal from Kuwait. If they are simply trying to make Iraq's case in the war more plausible to third parties, it is hard to believe they will have achieved much. A more optimistic interpretation is that they are stating an opening Iraqi position for negotiations to *follow* withdrawal. If so, they have got to make that much clearer before their adversaries can be expected to accept it as the basis for a ceasefire.

Iraq's hollow offer of peace

Saddam Hussein's promise to withdraw from Kuwait was laid out with conditions designed to ensure rejection, says **Roger Matthews**

President Saddam Hussein has played what he probably believes to be his strongest diplomatic card by offering at last to do what the international community has been demanding since August 2 and withdraw from Kuwait.

Despite being hedged around by conditions, some of them so absurd as to be unworthy of serious consideration by the western and Arab governments arrayed against Iraq in the Gulf, his proposal still raises a number of important questions. Was the statement made from what Mr Saddam believes to be a position of strength, or from one of weakness? Is he proceeding on schedule with his own war aims? Or have some of his closest political associates and military commanders been so shocked by the immensity of the damage inflicted on Iraq that a pragmatic president is preparing a tactical retreat.

Either way the 30th day of the Gulf war may serve, perhaps not entirely as Mr Saddam intended, to concentrate international attention on the manner in which the war is being prosecuted by both sides and beyond that on the shape of a possible peace. Having failed so far to draw Israel into the conflict, the Iraqi leader's intention is clearly to underline the view of the great majority of Arabs on both sides of the current political divide that there is umbilical linkage between the Iraqi occupation of Kuwait and the Israeli occupation of the West Bank and Gaza.

There can be little doubt that the offer by the Revolution Command Council to abide by UN Security Council resolution 660 was nothing more than a cynical ploy designed to weaken the allied coalition and to capitalise on the support Iraq already enjoys in part of the Middle East. Nevertheless, according to the strategy apparently adopted by Mr Saddam, the timing was finely calculated.

Just two days after public opinion in some allied countries was understandably shocked by the television pictures from Baghdad of the aftermath of the air attack on a bunker which killed hundreds of civilians, Mr Saddam has made what many people would have liked to believe was a sincere offer of peace. At the very least, it might be gauged that within the Iraqi statement yesterday was the first indication since the war began of the possibility of an end to the fighting.

It is now all the more obvious that after a month of fighting, the stakes for Mr Saddam, and for other national leaders, are being remorselessly raised

Mr Saddam, despite his insularity, understands well the constraints which public opinion can impose on western leaders, particularly President George Bush, and how to whip up passions within his own Arab constituency. The powerful impact created by the sight of the bodies of women and children stretched out alongside the smoking Baghdad bunker, linked now to the hint of peace negotiations, and backed by the more potent threat of greatly increased US casualties once a ground war starts, will add up, not just in Mr Saddam's eyes, to heavy weapons in the political and psychological war which he is waging.

The angry crowds who gathered outside the American embassy in Amman on Thursday to shout their support for Mr Saddam will not see anything absurd in Baghdad's statement yesterday, but will applaud the perceived justice inherent in its demands for an end to Israeli occupation of Palestine and for the western nations to pay for the damage they have inflicted on Iraq. A man as intelligent and worldly as King Hussein of Jordan does not lend political support to a man as profoundly different as Mr Saddam without having very pressing domestic reasons for so doing.

The fact that the king's verbal backing for Mr Saddam has increased the longer the war has continued, underlines how well he understands Mr Saddam's twin appeal to the most radicalised part of the Arab world: that of a leader fighting a defensive war against the US aggressor, and willing to sacrifice his own country on behalf of the Arab masses.

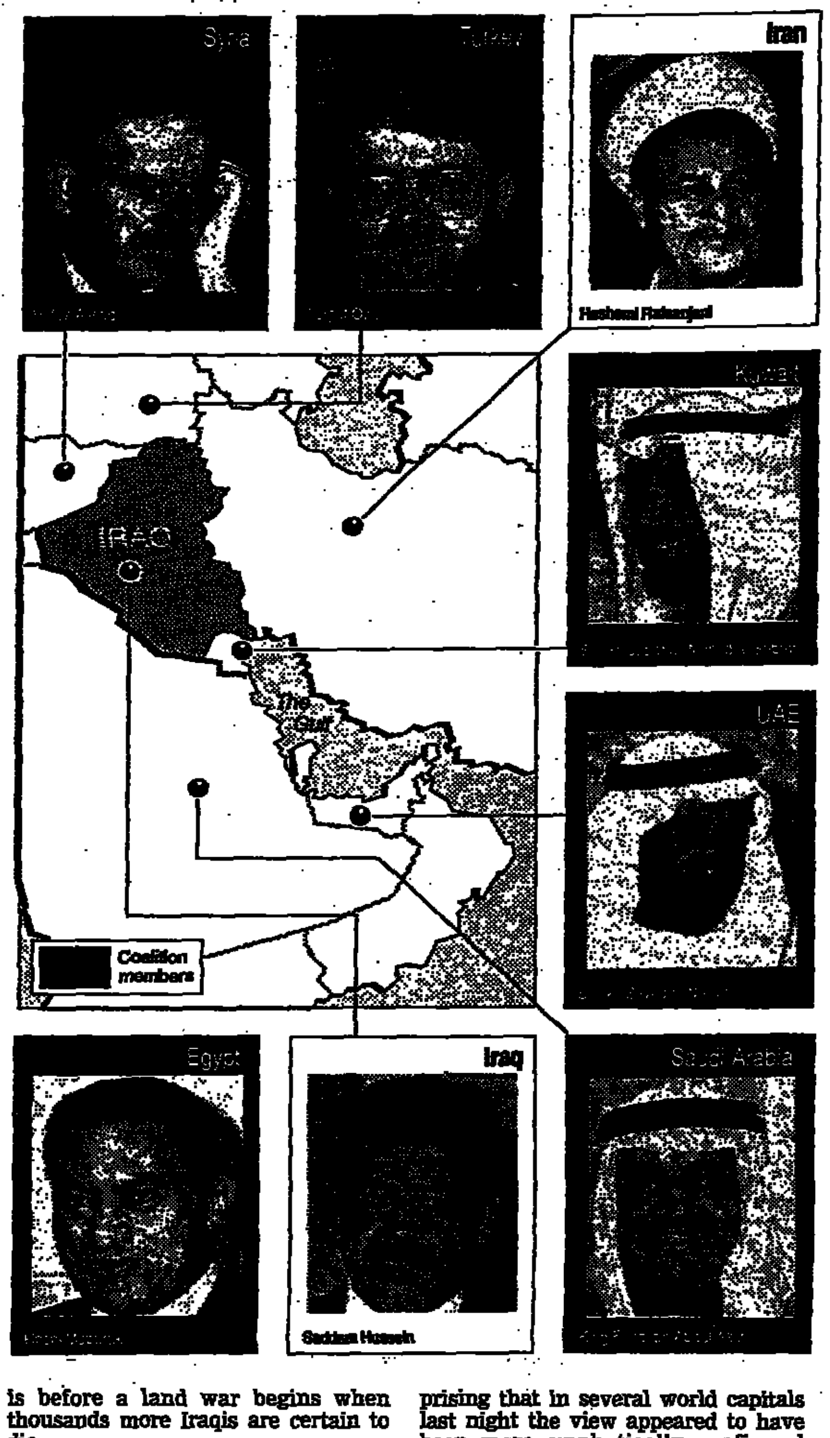
Whatever slivers of flexibility may be gleaned from yesterday's statement, the impression is still that Iraq is determined to draw the allied forces into a ground war. Mr Saddam's capacity for political somersaults, based on his overriding necessity to hold on to power, justified the 60 minutes of hope around noon yesterday that the war could soon be over. Instead of that hope, it is now all the more obvious that after a month of fighting, the stakes for Mr Saddam, and indeed for other national leaders, are being remorsely raised.

Observers who, in early January, predicted a rapid collapse of the Iraqi military machine if war broke out, were wrong for two reasons. First, because the allied air forces spent a large part of the first three weeks hitting Iraq's infrastructure and not its troops occupying Kuwait, and second because the Iraqi army appears to have been much more resilient than had been anticipated.

For Mr Saddam this has meant that while he can claim the political credit for having held out for far longer and against far more powerful forces than any Arab country in modern history, the parallel damage to his country has made the need to claim eventual victory even more paramount.

It is impossible yet to make any proper assessment of the damage which has been done to Iraq. But much of the physical fabric of the modern state appears to have been substantially destroyed. There is simply no comparison between the damage done to Iraq in eight years of war with Iran with that done in the four weeks since January 15.

Worse still Iraq will not have many of the skills needed to begin rebuilding the country. Industry, such as it was outside the oil-based sector, inevitably deteriorated during the past decade when so many men were in uniform for long periods. The huge death toll during the war with Iran is being remorsely added to. With minimal hospital facilities, many of the seriously wounded cannot be adequately treated. The scale of the national tragedy which Mr Saddam provoked by invading Kuwait can as yet still only be guessed at, and that is before a land war begins when thousands more Iraqis are certain to die.



It is a measure of Mr Saddam's commitment to his strategy that against such a background he can still make such a hollow offer of peace. It is also a measure of the immensity of the task which awaits the US, its allies, and countries throughout the Middle East once the fighting has finished. Although Mr Saddam was never perceived as a remotely reliable negotiating partner, his performance yesterday is likely to have destroyed any remaining credibility. It was not surprising that in several world capitals last night the view appeared to have been more emphatically confirmed that the war can only end satisfactorily if Mr Saddam is removed from power.

To attempt the physical and political reconstruction of a country in such a sensitive, predatory and economically critical part of the world is an impressively difficult concept. But for those 60 minutes or so yesterday, before the full conditions attached to the Iraqi offer of withdrawal became known, it was possible for the first time since the war started to speculate more practically on the possible shape of peace in the Gulf.

The most striking feature is the colossal responsibility that will rest on the US. The alliance it stitched together to oppose the annexation of Kuwait has held together remarkably well so far. But for better or – quite probably – worse, the leaders of those co-operative countries in the region itself will in future be even more vulnerable to accusations of obeisance to Washington, whether Mr Saddam survives or not.

The ruling families of Saudi Arabia and its partners in the Gulf Co-operation Council will have been saved by the US, and it would not be unreasonable for Washington to expect that they will not, in future, follow policies (especially in regard to oil) that run counter to American interests. Under such circumstances a repetition of the 1973 and 1979 oil shocks would now be unthinkable. It might also be that the US would express strong views on continued Saudi or, eventually, Kuwaiti funding for organisations and countries of which the US disapproves, such as the Palestine Liberation Organisation.

But increased influence in the Gulf may well be offset by decreased influence on Israel on whose co-operation the US is dependent if it is ever to deliver the political prize most needed by its Arab partners, that of self-determination for the Palestinians.

It is not yet fully known what conditions Israel attached to its restraint in not responding to the Scud missile attacks from Iraq, but it can safely be assumed that the present Israeli cabinet will not be in any mood to make territorial concessions to the Palestinians. Indeed, given the recent performance of Mr Yassir Arafat, the PLO chairman, and his ever-closer association with Mr Saddam, the powerful Jewish lobby in America which has in the past kept Congress so effectively in line, may scarcely need to get out of first gear.

Those strategic thinkers in Washington who were so excited by the brief prospect in 1978 of a three-pronged approach to political control in the Middle East based on the loose coincidence of interests between Israel, Egypt and Iran, will undoubtedly once again be urging more active private contacts with the more pragmatic clerical leaders in Tehran. For them Iran has always be the key to the Gulf and a partially destroyed Iraq and a dependent Saudi Arabia will only reinforce their views that a prime objective of policy after the war must be reconciliation with Tehran.

The relevance of any such speculation will in large measure depend on the progress of the war. However monstrous the excesses of Mr Saddam, the Iraqi leader will continue to garner support from those whose sense of alienation and deprivation allows them only to see what he is demanding, not what he has done. The ugliness of war pictures, of which those from Baghdad this week may be only a mild precursor, will continue to influence public opinion in countries where leaders treat human life as something other than a political tool. The more one-sided the battle appears, the greater will be the temptation to identify with the people of Iraq, few of whom bear responsibility for the horrors being visited on them.

Mr Saddam could have ended it for them today by announcing the unconditional removal of his troops from Kuwait. He could have sown potential disarray among his enemies by announcing a withdrawal linked to some form of commitment from the US and Israel to permit Palestinian self-determination. Instead he laid out conditions designed to ensure rejection. If at noon in London yesterday there was an exciting hint of peace, by nightfall if had turned to the bleakness of intensified war.

Double jeopardy for Bush

The allies may be forced to define their war aims more clearly after yesterday's roller-coaster of hopes and doubts, writes **Peter Riddell**

The war goes on. President George Bush was uncompromising yesterday in dismissing the announcement from Baghdad about withdrawal as a "cruel hoax" and, for the first time, explicitly urging the Iraqi military and people to oust President Saddam Hussein.

Yet the conflict will not just continue as before following yesterday's roller-coaster of hopes and doubts. The Iraqi initiative changes the diplomatic and political scene. Mr Bush's reaction slammed the door on a diplomatic solution with the present Iraqi leadership. But there remain fears in Washington that Baghdad's move may divide the international coalition.

Moreover, yesterday's exchanges force the US and its allies to confront the most searching questions. What are their war aims? What is victory and what type of post-war Iraq would they regard as acceptable? If, as Mr Bush says, the allied quarrel is only with "Iraq's brutal dictator", what does that mean in terms of military aims and how can the US, now it is so deeply embroiled, extricate itself from the region?

The Baghdad statement caught the White House completely off guard. Officials were immediately wary of a trap. Was Mr Saddam merely seeking a breathing space, or seizing an opportunity to salvage his increasingly battered army by a skilfully presented peace initiative? Yet the US also saw the statement as a sign of Iraqi awareness of growing military defeat and of a crack in the Iraqi leadership's resolve; for the first time, it talked about withdrawal from Kuwait.

If Iraq had merely accepted United Nations resolution 660 demanding withdrawal from Kuwait without any further comments, Mr Bush would have been in a quandary. He could hardly have turned down the offer, even if he insisted that the war would only stop once Iraqi forces started a rapid withdrawal. But the Iraqi leader would have remained in power with a formidable military machine, even though his immediate scope to develop nuclear, chemical and biological weapons has been destroyed.

There would remain uncertainty about how to achieve "peace and security in the region" as required in UN resolution 678. As Israeli officials pointed out yesterday, the fear would remain that a battered Saddam Hussein would withdraw to rebuild his military capacity for further aggression in a few years.

In the event, the conditions Mr Saddam attached to his promise to withdraw – demanding the end of sanctions, withdrawal of allied troops from the Gulf, payment of war reparations and specific linkage to the Israeli-Arab dispute – made things a little less difficult for President Bush. He had no problem in dismissing what he described as "unacceptable old conditions, but also several new conditions". In quickly brushing aside the initiative – apparently after discussion with the leading members of the coalition – he hoped to prevent hopes of peace rising too far.

Mr Bush's reaction slammed the door on a diplomatic solution with President Saddam. But there remain fears in Washington that Baghdad's move may divide the coalition

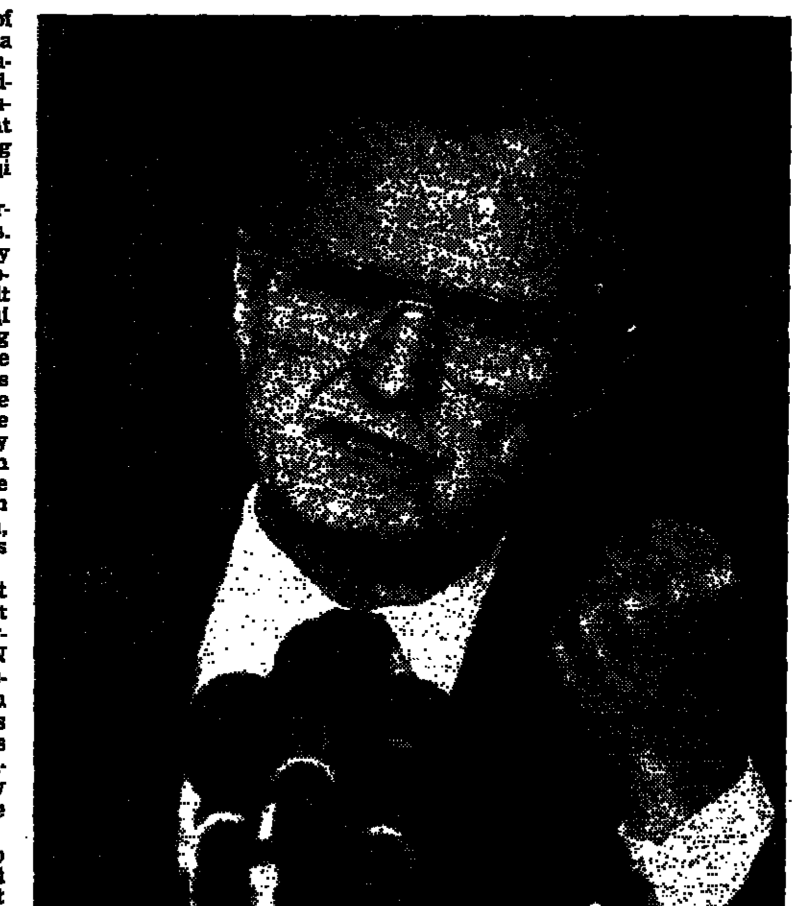
Nevertheless, from Washington's point of view the timing was awkward to say the least. The Iraqi statement came as the White House was seeking to recover from the unfavourable publicity earlier this week surrounding the heavy civilian casualties inflicted by US bombing of a bunker in Baghdad. While most Americans accepted the official US explanation that it was a valid military target, the Iraqi leadership turned the bombing into its most successful propaganda coup of the war. Not only has there been a wave of anti-American demonstrations in Arab countries in the Middle East and along the Mediterranean, but the Spanish government called for an end to bombing raids on Baghdad and other Iraqi cities.

All this provides potentially fertile ground for peace initiatives. While Mr Bush's firm line yesterday seemed assured of domestic support, he will have a more difficult task internationally where the Iraqi offer may be regarded as an opening bid. Apart from Arab and some European moves, Moscow has become more diplomatically active in the past few days. Even before yesterday's statement, Mr Yevgeny Primakov, a senior envoy, had been to Baghdad, and Mr Tariq Aziz, the Iraqi foreign minister, is due in Moscow early next week. Iranian, Kuwaiti and European ministers are also due there.

Until now the State Department has publicly backed these Soviet efforts as a possible means of securing full Iraqi compliance with UN resolutions. However, with increasingly strained relations between Washington and Moscow, there is wariness that the Soviet Union's initiatives risk dividing the anti-Iraq coalition and giving Moscow scope to build its standing in the Middle East as a peacemaker.

Even if these initiatives come to nothing, the possibility of Iraqi withdrawal from Kuwait is at last on the table. On the other hand, following the bunker bombing, the Iraqi leadership may have succeeded in presenting the war as an American assault on Islam and the Arab world.

Mr Bush now faces the difficult tasks of dealing with these doubts and at the same time defining his aims. The military campaign appears to be going well after the initial problems of bad weather and diversion of effort to deal with Scud missile sites. The Iraqi military machine may have proved to be formidable but in the past few days it has appeared to be cracking.


George Bush demonstrating his resolve to reporters last week

After talk earlier in the week about continuing the bombing campaign for some time, possibly a few weeks, to ensure a reasonably rapid ground offensive with a minimum of casualties, the tone has shifted. On Thursday, US commanders announced that 550 Iraqi tanks had been destroyed within the past five days, taking the total eliminated to 1,300 out of 4,000 in southern Iraq and Kuwait. This prompted renewed speculation that the land campaign might come sooner, perhaps within a few days or a week, than thought last weekend.

US officials believe that the realisation by Mr Saddam of the rapidly growing scale of the destruction of his army, and particularly his elite Republican Guard, may have been a key influence on the timing of yesterday's initiative.

Insofar as it is taken as a sign of Iraqi weakness, Mr Bush and his military advisers may feel more confident about launching a ground campaign. For all the hopes of some in Washington that the current air onslaught could largely win the war, a ground offensive is now regarded as inevitable.

It none the less remains a big political risk for Mr Bush. So far in the month-long war he has retained political support of about 80 per cent, in part thanks to the very low casualties of the air campaign. But substantially more troops are likely to be killed and injured in any ground war and this could threaten an erosion of domestic support. Mr Bush needs a quick end to the war with relatively low casualties if he is not to forfeit this.

But what happens after the land campaign starts? One western official admitted yesterday that he was unsure what victory meant. He was confident that the allied armour would win what a senior Bush administration official has decribed as a "very violent and very quick" war, starting with a left-hook through southern Iraq to cut off Kuwait. But what happens if Iraqi forces isolated in Kuwait do not surrender and if Mr Saddam is unwilling to negotiate an end to the war?

The US and its allies do not want to occupy any more of Iraq than is necessary for military reasons to force its forces out of Kuwait. But what do they do if the Iraqis are unwilling to end hostilities?

Discussions have begun on these questions, but Mr Bush has made them more difficult to answer by his unremitting hostility to Mr Saddam. After yesterday's appeal for "the Iraqi military and Iraqi people to take matters into their own hands, to force Saddam Hussein, the dictator, to step aside and to comply with UN resolutions", any deals between Washington and a Saddam-led Iraq look out of the question.

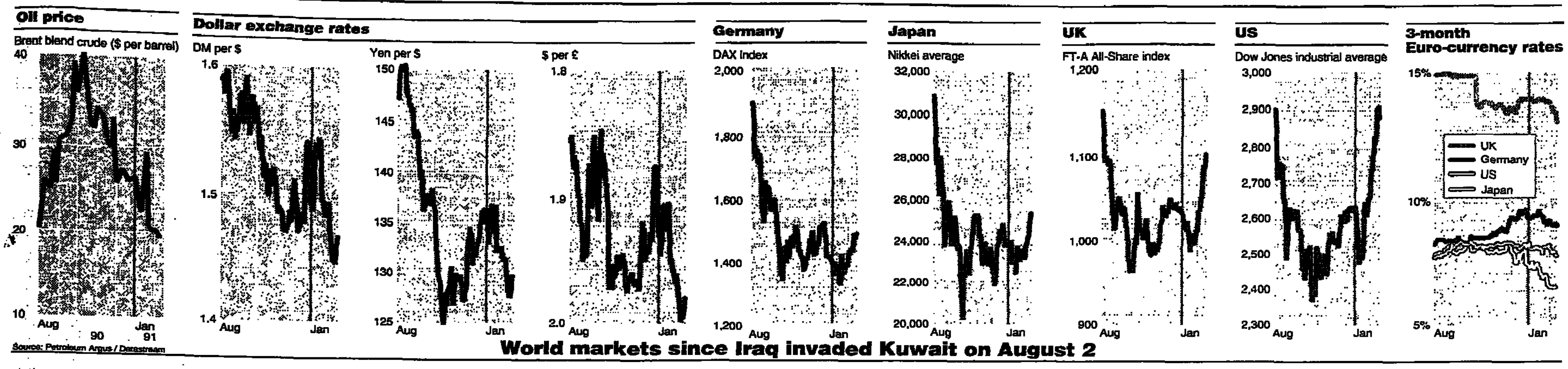
Moreover, as senior US officials have made clear, even if Iraq does withdraw from Kuwait, economic sanctions may still be kept on to ensure that Baghdad does not rebuild its military machine (and in particular is prevented from restarting its nuclear, chemical and biological programmes), to deal with questions of compensation and reparations, and until issues of war crimes and treatment of prisoners of war are resolved.

Mr Bush's desire to remove both Mr Saddam and the military threat posed by Iraq to the region affects planning for after the war. Some US officials, notably in the State Department, are concerned not to destabilise Iraq too far, for fear of allowing Syria and Iran scope to dominate the region.

In defining his war aims so broadly and uncompromisingly, Mr Bush risks alienating much of the Arab world and making much more difficult the US role in creating security and non-proliferation arrangements for the region after the war. There is no clear plan to tackle the Israeli/Arab dispute; US officials are already complaining about exaggerated European and Arab expectations about Washington's ability to "deliver" Israel.

President Bush and his advisers sense that Mr Saddam knows he is losing the war and they are determined to press home their military advantage. But the outcome of the political battle is less certain and Mr Bush's position may be less strong than it seems inside the Oval Office.

THE GULF WAR



World markets since Iraq invaded Kuwait on August 2

Chill of recession amid the fog of war

After recent rises, markets may be due for a tumble, says John Plender

To say that world markets were confused by yesterday's news on the Gulf war would be true but largely beside the point. Since the conflict began a month ago, bond and equity markets have been treating events in the Gulf as a side show. The prospect of lower interest rates has caused prices to soar (see charts), regardless of the destruction being wrought in the Middle East. Oil prices have weakened; and it will take a great deal more than yesterday's insubstantial straws in the wind to bring about any fundamental reassessment of the economic and financial state of play.

But let us none the less assume, for the sake of argument, that the war might conceivably be about to move into a new phase, bringing forward the prospect of an earlier end to hostilities. How much would it matter for the world economy? And have the markets anyway made a sound judgment about the economics of the war?

The answer to such questions clearly hinges on the precise nature of any settlement. But it is hard to argue with the markets' initial insouciance in the face of the allies' onslaught against the Iraqis. From the moment it became clear that Saudi Arabian oil production and refining capacity was likely to remain substantially intact thanks to western air superiority, the greatest single economic threat – a large jump in the oil price – ceased to be a pressing source of concern.

As for the costs of the war, the sooner it ends the less they are likely to be. Most of the real economic cost was incurred when the weapons that are now being expended were actually made. The future cost, in terms of resources, will depend on how far and over what period the allies choose to replace their depleted arsenals.

With the US and the UK – the two main allied combatants – already in recession, a modest fiscal stimulus will cause few people to lose sleep over inflation

Military burden sharing payments from Kuwait, Saudi Arabia, Japan and Germany help spread the bill. For the US and the UK, the budgetary implications of anything other than a prolonged war are thus relatively insignificant; and with the two main allied combatants already in recession, a modest fiscal stimulus will cause few people to lose sleep over inflation. Hence the failure of bond markets to plunge, as they usually do when an important war breaks out. Both bond and equity markets are probably also reflecting the likelihood that a short war may wreak less economic damage than prolonged sanctions.

If there has been serious damage to the world economy it stems not from the war itself, but from the blow to confidence administered by the original Iraqi invasion of Kuwait last August. At that time, the Anglo-Saxon economies were already in recession while continental Europe and Japan were still buoyant. To a large extent the upswing was driven by real investment. In continental Europe, in particular, the business community was enthusiastic about the Single Market and by the initial optimism about wider Europe that came after the collapse of the Berlin wall.

A recent survey from Nomura Research Institute suggests that industrial confidence in Europe had started to weaken before the Gulf and that consumer confidence outside Germany has taken a sharp knock since August not on the basis of any financial deterioration in the position of households but because of generalised fears about the future. These changes in sentiment, which are inherently beyond the capacity of forecasters to capture, have already worked their way through to industries such as tourism and travel. Dismal reported profits in airlines, hotels and leisure have been telling the story.

Equally important, in the longer run, is the way in which the so-called peace dividend that was expected to materialise in the aftermath of the Cold War in Europe is looking increasingly elusive. That, in part, reflects the huge uncertainties that afflict the Soviet Union; but the invasion of Kuwait raises its own, not insignificant, question mark about the possible future cost of maintaining an international force in a region whose instability has inescapable implications for the rest of the world.

In one specific sense the Gulf war has actually tended to distort perceptions about the world economy. Because it is widely assumed to be about oil, comparisons have constantly been made with the earlier oil price increases of 1973-74 and 1978-79. Yet in two vitally important respects the present conjuncture is the exact opposite of those two crises. Not only is the oil market fundamentally weak on this occasion; real interest rates are positive, where they were negative before.

Positive real interest rates help explain why the recessionary pain is now so widely spread across the UK economy. In the early 1980s, the squeeze was administered primarily through an overvalued exchange rate, which meant that the tradeable goods sector of the economy – exporters, in a word – bore the brunt of the recession. Today heavily mortgaged households and service industries are suffering too. And this time they cannot draw consolation from the decline in the real value of their borrowings.

As Robert Thomas and David Simmons point out in the latest edition of Midland Montagu Research's Currency Outlook, when real interest rates are positive, the deficiency between the value of a loan and the underlying asset that it finances can only increase as the interest accumulates. This means that there is pressure on banks in all the leading economies to foreclose quickly. And if this financial vice is not to precipitate very deep recession, interest rates need to be cut even faster than inflation falls.

That problem is particularly acute in the United States because of the fragility of the banking system. And it is not made any easier by another unusual feature of the present business cycle, namely that the US budget deficit is already so large that there is little scope for tax cuts and new spending initiatives to speed the exit from recession. The full burden falls instead on monetary policy. And if there is any single reason for the rise of more than a fifth in the Dow Jones Industrial Average since its low point in October, it is the recognition in the markets that Federal Reserve chairman Alan Greenspan has changed his tune.

The good news for the developed world generally, is that confidence has returned to stock and bond markets since the autumn, regardless of bombing in the Gulf

In 1990, Mr Greenspan constantly emphasised that the reduction of the US budget deficit was a precondition of easier monetary policy. Despite the projected increase in the projected deficits for 1991 and 1992 because of bank rescues and the war, he stopped making hawkish noises about fiscal policy and encouraged short-term interest rates to fall. Wall Street's assumption is that he has been forced to take risks with inflation in order to confront a credit crunch and stave off an even deeper recession.

The good news for the Americans, and for the developed world generally, is that confidence has returned to stock and bond markets since the autumn, regardless of the bombing in the Gulf. The weakness of the oil price will, in due course, have a beneficial impact on the world economy and provide a welcome prop to hard hit oil consuming countries in the Third World. But the economist's lag is, of course, the politician's nightmare – not least for the British prime minister John Major, who must go to the country before the middle of next year.

His problem, which is exacerbated by membership of the exchange rate mechanism, is that a straightforward decline in interest rates may not be sufficient to revive the confidence of consumers who have just received a severe shock *after the borrowing binge of* the late 1980s.

Both people and companies may be more tempted to repay debts and rebuild savings than to contribute to output growth through consumption.

As one London-based fund *manager put it yesterday*, everyone has learned to live with the war by now; the trouble with peace for an equity market that has risen by about 15 per cent since its low point in the autumn is that it would actually represent a return to uncertainty.

The world economy still confronts formidable problems, and after their recent euphoria the markets may well be due for a tumble. For money men the chill of recession poses a nastier challenge than the fog of war.

Deborah Hargreaves reports that the real turmoil in the oil market may be reserved for post-war power games between Opec members

Fears of glut, not shortage

"Life today can be divided into three parts," said Mr Peter Gignoux, director of Lehman Brothers International Energy group in London, as telephones screeched and traders screamed orders in the background. "First, the *morning*, then the report and then page two of the report. The market dropped like a stone and then it bounced, and now we are regaining our composure."

Mr Gignoux was referring to the nervous reaction of the oil market to Iraq's promise to withdraw from Kuwait and to the conditions it subsequently emerged *President* Saddam Hussein was attaching to such a move. Oil prices dropped by more than $2 to $16.30 a barrel once the headline flashed up, but later recovered to $17.25 as traders decided that an end to the war was not in sight.

Yesterday's move in oil prices *shows just how sensitive* the market remains to the possibility of a cessation of hostilities, when the large overhang of oil stocks held by producers and consumers could send oil prices plunging. Some industry leaders such as Sir Peter Holmes, chairman of Shell, have speculated that any oil price above $15 to $16 a barrel contains a war premium. Others predict the price could go as low as $12.

Since last August, the world has learned to live so well without oil from Iraq and Kuwait that the market is more worried about a possible glut than a shortage. This was evident when prices plunged by a record $8 a barrel within hours of the outbreak of the war.

After that, a relative calm was established. Ironically, oil has been sidelined in a war that many believe is being fought over access to oil supplies. "Five hours after the war began, it was over as far as the oil markets were concerned," says Mr Daniel Yergin, oil consultant and author of The Prize, a new *history of the oil industry*.

Allied bombers have crippled Iraq's facilities to the point that it is not producing any refined products at all, and Kuwaiti refineries and oil wells have been looted and charged with explosives by Iraqi troops. But the war has so far failed to inflict even minor *damage on important Saudi oil installations*. The Gulf could be turned into an ecological disaster by the world's largest oil slick but this has no impact on prices.

Western oil stocks of 467m tonnes, or 96 days' worth of consumption, are at historically high levels. In addition, the *International Energy Agency, which co-ordinates* OECD countries' energy policy, has put in place an emergency plan to make an extra 2.5m barrels of oil a day available as a gesture to calm world markets.

At the same time, demand has been depressed by recession and higher prices. The IEA predicts that a fall in OECD oil use will partly be *compensated* by a 3.5 per cent increase in *non-OECD* demand but will only produce a 1 per cent rise in world demand this year.

"The market is worried about a glut of crude oil, but has every reason to be concerned about a shortage of products," Mr Gignoux said. Refining capacity is the bottleneck in oil supply and demand which *has seen refining margins rise* – out of line with the drop in crude prices – to three times their normal levels in Europe. The price of jet fuel dropped by $100 a tonne on yesterday's initial report and later recovered $40 to $265 a tonne.

Other traders point out that high western *stocks* are not all *held by companies but are in government* reserves which will not find their way *immediately* to world markets when the war is over. US companies are holding 61 days' worth of crude stocks, according to the American Petroleum Institute which is not far from the lowest level of 60½ days' worth of stocks *in February for the past six years.*

But Saudi Arabia and Iran have salted away about 90m barrels of crude oil in tankers anchored close to consuming centres. These could be supplied to customers quickly if supply were interrupted, and the thought of them hanging over the market is depressing prices.

What could send the oil price *even lower is the threat of a battle* over market share between producers in the Organisation of Petroleum Exporting Countries when the conflict is over. "We'll see the cessation of the military war, but then begins haggling in a possible price war," says Mr Fareed Mohamedi, economist at the Petroleum Finance Company in Washington.

Post-war agreement on oil prices could put a severe strain on the fragile allegiances and power within Opec.

Before the war, the policy pursued by Saudi Arabia and Kuwait of boosting market share within the organisation helped to depress prices and enraged indebted Iraq.

Since the crisis began, Saudi Arabia has continued to stoke output *to make up for the loss of* Iraqi and Kuwaiti oil from world markets, seeing its share of Opec production rise to 32.3 per cent from 24.7 per cent.

Saudi Arabia's power within the cartel has almost certainly been *enhanced by the war and its confidence* boosted by the knowledge that the US is prepared to come to its defence. It could thus staunchly

Precious commodity: many believe the war is being fought over access to oil supplies

defend its higher market share from the challenge of an Iraq and Kuwait under reconstruction; it will also want to keep its production high in order *to pay for the* war. The kingdom's borrowing this week of $3.5bn from international banks showed that even its resources are not unlimited.

Similarly, Venezuela has long been under domestic political pressure to boost its eroded market *share and could try to maintain* output at a current level of 2.4m b/d rather than at its quota of 1.95m.

Competition over market share could further erode Opec's influence in the world market. It certainly does not bode well for fulfilment *of the post-war vision that some of the more optimistic* pundits are depicting: an era of harmonious, stable co-operation between oil producers and consumers.

LETTERS

Railway claim has been glaringly exposed

From Mr Chris Bushell.

Sir, It is lamentable that rail's claim to be the all-weather transport mode has been so glaringly exposed in the UK, just at a time when people ought to have the confidence to leave their cars at home and take to public transport.

But some good will come from this winter's debacle if it helps focus attention on what we ask of our railways.

Public opinion demands a significantly better standard of service; while the Department of Transport continues to baulk at the expense of giving BR the tools for the job.

It seems extraordinary that this government has still not grasped the potential for London's railways to help relieve traffic congestion. A government anxious to prove its "green" credentials would have sanctioned real investment in new capacity years ago (and, by that, I mean billions of pounds, rather than the pennies *grudgingly* granted so far).

London's Crossrail and the Jubilee line extension are fine – but they are coming a decade too late to relieve the severe overcrowding of the boom years of the 1980s.

Now recession, high fares and indifferent *service* are beginning to erode rail usage once again, and there is a danger that falling patronage will be taken as an excuse for less investment. The strategy of the former Greater London Council showed that improvements in public transport could ease road traffic. London desperately needs a public transport supremo with a remit to make services so good that people will choose to leave their cars at home.

To achieve this will require substantial investment in new lines and trains, and a retreat from the current aim of nil subsidy which makes London rail fares the highest in the world.

Chris Bushell,
Editor,
Jane's Urban Transport Systems, Sentinel House, Brighton Road, Coulsdon, Surrey.

Contrasting aspirations

From Mr David Fifield.

Sir, Peter Martin's article "A corporate conundrum" (January 26/27), and your editorial "A deepening recession" (January 30) highlight the different aspirations of employees and owners.

The "institutions", through *their* expectations of maintained dividends, as well as the option to move investments, clearly see money as having a separate "career" to that of employees, who often occupy a sacrificial role.

How different in Germany where, through a combination of bank involvement, private ownership and a small number of quoted companies, financial interests are committed to the long-term interests.

This commitment encourages evolutionary product design and regular investment in fixed assets, *assisted* by employees benefiting from education and vocational training.

Thankfully, a catalyst for change may be emanating from the currency and social requirements resulting from our closer association with the European Community.

As far as I know, the "institutions" with their short-term interests have not commented on the implications of this situation.

David Fifield,
Oaklands,
Weston Underwood,
Olney, Bucks.

Need for equal opportunities

From Mary Crawford.

Sir, In her article, "Girls in a 'man's world'", in your report on independent education (February 2), Mrs Averil Burgess' pithy restatement of what ought to be familiar arguments in favour of separate education for girls, was a useful reminder *of the need for girls to grow up* with confidence in their abilities to succeed in a "man's world".

Peggy Hollinger's article, "Grooming girls for the career ladder", also showed how unequal the financial investment still remains.

I imagine that both of these writers were as dismayed as I was to see the advertisement on the same page for a well-known and progressive girls' school. For further details, we were advised to write to the headmaster's secretary.

The headmaster's secretary?

One reason I chose to send my daughters to a girls' school was so that they would see women in positions of authority, as Averil Burgess rightly says.

As a deputy head of a school in the maintained sector, I shall not believe that equality of opportunity exists for women in this profession until a woman is appointed head of one of the large boys' public schools.

Perhaps such an appointment might be an excellent role model for the young men at some of the well-known boys' boarding schools.

Mary Crawford,
2,Burnham Way,
Ealing, W13

Authentic cooking for cowboys

From Mr George Orr.

Sir, The article "Emotion, lust and red hot chilli", by Nicholas Woodsworth (January 19) has caused a *frisson* (if I may use the increasingly popular FT word) of *chagrin* among "chili heads".

I must point out that his spelling of the dish is incorrect – chili has a single "l". Be assured that I have checked many recipe books.

Your correspondent has confused the dish with the peppers used in the dish. The word *"chilli" is used in Mexico* and in British-influenced Asia to describe capsicums, generally pungent, which are added to various dishes – for example, curry powder and chili powder to give fire to the dish. The amount of heat may be all the way from what some call "nervous Nellie neutral" to "total thermal destruction" of the taste buds.

Jean Andrews, in her magnificently illustrated book, (Peppers, The University of Texas Press), writing about the domesticated capsicum, points out that cayenne, ancho, anaheim and pasilla peppers are used in the making of chili powder, along with the other ingredients mentioned by Mr Woodsworth.

There is no set recipe: but all contain the base in varying quantities, mentioned in the article. They are, however, not called "fixings". They are "chili fixins".

The true "chili head" makes his own "fixins". Therein lies part of the challenge – that of variations of flavour and pungency. The quality of meat used is also very important. Beef is most common, though hunters add deer meat, squirrel, possum, wild pig and, on occasions, rattlesnake.

Side dishes are important. *Some folk eat pinto beans with* the dish. Raw onions "on the side" (from Noonday, Texas) are mandatory. A side-dish of the hellfire of raw jalopeno peppers attracts the masochist, though recently one of the lesser-known farming schools in the state has developed a mild jalopeno with a much lower load of capsaisin. Thus, the macho image can be protected, while preserving the taste buds.

In preparing this letter I looked over 30 or 40 recipes for chili, including those in a fascinating booklet by Richard Bolt, on "chuckwagon grub", called Forty Years Behind the Lid.

Mr Bolt was a lay fundamentalist preacher and a chuckwagon cook on big ranches for most of his life. His booklet is a delight of open-air recipes and culinary advice; for example: "You might add a few raisins to keep these sourdough biscuits from chasing the tumbleweeds . . ."

Mr Bolt cooked for many cowboys at a time. Consequently, he measured in "a handful of this and a dab of that and a 'glug glug' of something else", while creating "cowboys puddin' pie", "campfire cake", "lickin' good greenbeans" and "calf fries".

George Orr,
3015, Brookside,
Tyler, Texas.

US production falls for fourth month in a row

By Michael Prowse in Washington

US industrial production fell for the fourth month in a row in January, indicating that the economy remains gripped by recession, the Federal Reserve reported yesterday.

Figures published separately showed a small decline in wholesale prices last month – a welcome sign of easing inflation pressures but another indication of industrial weakness.

After seasonal adjustment, production fell by 0.4 per cent in January despite a modest revival of car and truck production, the sector which led the industrial downturn in the fourth quarter of last year.

Last month's fall in production was slightly less severe than analysts expected, but it came from a lower base than expected. The Fed yesterday sharply revised figures for December, to show a fall of 1.1 per cent compared with its initial estimate of 0.6 per cent.

In the past four months, production has fallen by a total of nearly 4 per cent, making it the worst stretch of figures since the 1981-82 recession. The index (1985 = 100) now stands at 106.5, 0.9 per cent below its level of January 1990.

Last month's drop in production left the overall rate of industrial capacity utilisation at 79.9 per cent, nearly three percentage points below its level of a year ago and well below the long-term average of just over 82 per cent.

Nearly all sectors showed weakness. Manufacturing output fell 0.4 per cent last month and 1.1 per cent in the year to January, taking factory utilisation rates to their lowest level since 1986. Excluding the rebound in motor vehicles and parts, factory output fell by 0.7 per cent last month.

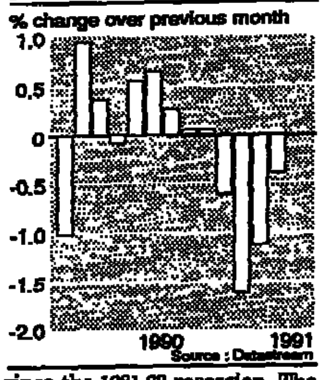
The index for construction supplies fell 1.8 per cent and is now 7 per cent down on the levels of last summer. Output of business equipment and consumer goods – excluding cars – also fell sharply in January.

The producer price index for finished goods fell 0.1 per cent last month, indicating that inflationary pressures at the wholesale level remain comparatively modest. Producer prices have risen by only 3.7 per cent in the past 12 months.

The drop in wholesale prices, however, was less sharp than in December and mainly reflected falling energy prices; food prices also eased slightly. Excluding the volatile food and energy components, "core" producer prices rose by 0.5 per cent, compared with 0.2 per cent in December.

US industrial production

% change over previous month



Source : Datastream

Brittan criticises UK on farm reform

By Lucy Kellaway in Brussels

SIR Leon Brittan, the EC competition commissioner, yesterday took the British government to task over the "frosty" reception it has given the EC's plans for farm reform. "Dismissing the plan can look very like dismissing the urgent need for reform and thus reversing Britain's own past policy," he said.

The Commission's new scheme for farm reform – intended to reduce record agricultural stocks and to put the Common Agricultural Policy on a sounder footing – was attacked earlier this month by Mr John Gummer, UK agriculture minister. He complained that it would undermine the ability of efficient farmers to compete, while making museum pieces out of the smaller, less efficient farmers.

In a speech in Derby yesterday, Sir Leon said the reform proposals were only a starting point for discussion, and were a "serious attempt to tackle the central problem of too high prices that lies at the root of all the CAP difficulties". The plan would lead to lower production, he said and hence lower food mountains and export subsidies, and would take the heat out of disputes with the EC's trading partners.

The assistance that would have to be paid to farmers under the new system need not be allocated purely on the basis of the size of the farms, he argued. This has been at the centre of British concern over the proposals. "There is nothing sacrosanct or unique about the size criterion.

Sir Leon commended the UK for its constant criticism of the CAP as it stands, and warned that without any reform, farmers' incomes would fall further, surpluses rise out of control, and the EC come under even stronger criticism from its trading partners.

Europeans rethinking HDTV standard

By William Dawkins in Paris

THE European Commission is rethinking its strategy of pushing D2-Mac as the sole EC television broadcasting standard to be used to keep Europe in the race to develop high-definition television (HDTV).

It is planning to invite broadcasting and electronics industry representatives to Brussels at the end of the month to discuss whether to weaken or strengthen existing broadcasting standards rules.

A big change could be disastrous for electronics groups such as Thomson Consumer Electronics (TCE) of France and Philips of the Netherlands, which have spent huge sums developing advanced televisions and researching HDTV sets based on European norms.

It could also hamper the industry's attempts to turn D2-Mac into a dominant world standard, against competition from Japan and more recently the US. Only a few days ago, TCE launched an advanced television set based on D2-Mac and is spending FFr9bn (£900m) on HDTV research over the next five years.

The existing EC rules, adopted in 1987 and due for renewal next year, say all direct broadcasting television satellites must use D2-Mac, a standard designed to pave the way for the introduction of HD-Mac, a full European HDTV standard, in 1995.

This new caution reflects European broadcasters' slowness to adopt D2-Mac, which was set back last year when British Satellite Broadcasting, one of the standard's few supporters outside France, was taken over by Sky Television. The new group will use the existing Pal norm on its Astra satellite, allowed under the EC rules because Astra counts as a telecommunications and not a television satellite.

The French government, by far the strongest supporter of D2-Mac, yesterday reaffirmed its support for the standard.

TCE would clearly like the Commission to propose making D2-Mac obligatory for all direct broadcasting satellites, including Astra. Paris believes it can count on some backing on this from Bonn. Other options are to make D2-Mac obligatory just for new satellites, or to permit exceptions, in theory allowing some broadcasters to choose a US standard.

Mr Filippo Maria Pandolfi, commissioner for telecommunications, had tabled plans to toughen the D2-Mac rules, but Mr Martin Bangemann, internal market and industry commissioner, called for a rethink.

Call to spend more on high-speed computing

By David Buchan in Brussels

EUROPE should be spending Ecu1bn (£700m) a year in public and private money by the mid-1990s to fund research into high-speed computing if it is to compete with the US and Japan.

This is the main conclusion of a study sponsored by the European Commission and published yesterday.

The task force, chaired by Prof Carlo Rubbia, director of the Cern nuclear physics centre, said that if Europe were to aim at producing machines capable of making up to 1,000bn calculations a second (a "teraflop") in the next decade, it would improve design simulation and making products cycles shorter and cheaper across European industry.

The Rubbia committee recommended a gradual increase in spending, up to Ecu1bn a year, which would be earmarked for areas such as support links between 100 supercomputers and 100-200 users, help user groups, hard and software, artificial intelligence and simulation, and scientific training.

The Commission, which was represented on the Rubbia committee, is likely to incorporate the recommendations into proposals it will make early next month to help the beleaguered European computer industry. Mr Filippo Pandolfi, the EC commissioner responsible for research and technology, said yesterday the Commission would be more selective than before in targeting Ecu2bn for electronics in its 1990-94 framework programme.

'Move WEU to Brussels'

THE Western European Union (WEU) defence organisation, to which nine EC states belong, should move "lock, stock and barrel" to Brussels and come under the aegis of the European Community, WEU's top official proposed yesterday, David Buchan writes from Brussels.

"I cannot imagine a European union developing without defence," said Mr Willem Van Eekelen, WEU secretary general, who held talks with Mr Jacques Delors, European Commission president. WEU countries will meet in Paris next Friday to discuss the plan.

The proposals of Mr Van Eekelen, a former Dutch defence minister, match those of France and Germany.

The idea is to make the WEU subordinate to the European Council, the body which organises summits of EC leaders.

Mr Van Eekelen said that of the nine WEU members, only the Netherlands was opposed to the idea.

In the longer term, the Community might totally take over WEU.

Zhelev seeking to break with the past and attract new investment

Bulgarian president on British visit

By Judy Dempsey

BULGARIAN President Zhelyu Zhelev, arrives in Britain today on a week-long state visit aimed at opening up a new era in British-Bulgarian relations and attracting investment for the country's ailing economy.

Mr Zhelev, a 55-year-old philosopher and critic of the former communist regime led by Mr Todor Zhivkov, is the first head of state from eastern Europe to visit Britain since the collapse in 1989 of the communist regimes.

The visit takes place against the background of serious food, medicine, heating and energy shortages in Bulgaria. During discussions with the business community, Mr Zhelev hopes to persuade his hosts that the country is committed to introducing radical economic reforms aimed at privatisation, opening up the country to foreign investments, and tackling its $10.6bn (£5.3bn) debt.

During the first eight months of 1990, UK exports fell by 42.5 per cent and total bilateral trade fell by 34.4 per cent.

The former communist government suspended all repayments on interest and principal last March. This prompted western financial institutions to impose a moratorium on new credits.

Lack of fresh investments, combined with delays in introducing economic reforms and the collapse of central authorities, led to a sharp decline in industrial productivity. Output fell by more than 20 per cent last year.

Western banks are prepared to draw up a rescheduling package once the Bulgarian state guarantees the debts, of which 90 per cent are held by the state-owned Bulgarian Foreign Trade Bank. The new caretaker government, sworn into office last December, has yet to offer these guarantees.

Although Mr Zhelev will stress the need for new investments, the visit is primarily intended to signal his government's break with the past, seen as crucial for normalising relations with Britain.

Relations deteriorated sharply after the assassination of Mr Georgi Markov, the dissident writer, by Bulgarian agents in September 1978.

Mr Markov defected in 1969 and settled in London. His uncompromising criticisms infuriated the Zhivkov regime, whose secret police threatened to kill Mr Markov if he did not stop his broadcasts.

The end of the communist regime has given Mrs Annabel Markov, his wife, the chance to visit Bulgaria in an attempt to establish who gave the orders to murder her husband. Mr Christo Danov, minister of the interior, said last week that his department was giving "top priority" to the inquiry into the writer's death.

During his stay in Britain, Mr Zhelev will visit Mr Markov's grave to mark his and the Bulgarian government's distancing from that event.

LEADERS from Hungary, Poland and Czechoslovakia yesterday quashed any speculation that they might set up a regional bloc, writes Nicholas Denton from Budapest.

At the end of a day of talks in Visegrad, Hungarian prime minister Jozsef Antall (left), Polish President Lech Walesa (centre), and Mr Vaclav Havel (right), the Czechoslovak president, did not announce a programme for security co-operation and a regional free trade zone.

Apparently they feared it would would be misinterpreted as a new alliance directed against the Soviet Union.

Rapid deadlock in talks on troop cuts

By Robert Mauthner, Diplomatic Correspondent

EAST-WEST negotiations on troop reductions in Europe, which began formally in Vienna last Thursday, have become deadlocked almost before they started because of western allegations that the Soviet Union is not respecting a recent treaty cutting conventional weapons.

The Nato allies have made it clear to the Soviet Union that they are not prepared to embark on serious negotiations in the so-called Conventional Forces in Europe (CFE) follow-on talks until the differences between the two sides have been ironed out.

At the same time, senior members of the US Senate have indicated that the Senate would delay its ratification of the CFE treaty, signed in Paris last November, until western complaints had been satisfied.

The main western complaint is that the Soviet Union has reassigned substantial quantities of army equipment, totalling some 900 tanks, 800 combat vehicles and 800 pieces of artillery, to coastal defence units under navy command. Since the CFE treaty covers only land and air forces, Moscow now argues that this equipment is not subject to the ceilings and inspection provisions laid down in the treaty.

Western delegates said they did not expect the Soviet Union to reclassify the units in dispute before the 90-day deadline for corrections of data submitted when the treaty was signed runs out tomorrow. Though Moscow tabled some revised information last Thursday, this amounted to only minor adjustments in declared equipment levels and did not deal with the main subject of Nato's complaints, they claimed.

Another bone of contention, though less serious in western eyes, is the Soviet withdrawal of about 70,000 items of equipment from eastern Europe, which were expected to be subject to treaty limitations, to beyond the Urals.

Though the western allies agree this is not strictly a treaty-breaking offence, they want to know whether the equipment will be legitimately deployed east of the Urals, or whether it is being held as a strategic stockpile.

While recognising that problems over the interpretation of the CFE treaty had arisen, the chief Soviet delegate, Mr Oleg Grinevsky, told the meeting that these should not delay the follow-on negotiations on troop cuts. Instead, they should be discussed in the Joint Consultative Group which had been set up to monitor the treaty's implementation.

The talks have not been broken off, and another plenary session has been scheduled for February 21. However, western delegates, who said they had expressed their views very frankly at the first meeting, do not expect any progress to be made as long as Moscow does not show more flexibility.

Dunkel in Gatt meetings

MR Arthur Dunkel, director general of the General Agreement on Tariffs and Trade, will start 36 hours of intensive consultations here on Monday in what may be the last chance to save the international trade talks from total collapse, writes William Dullforce in Geneva.

Starting with the Cairns Group of 14 farm-exporting nations, he plans to meet between Monday afternoon and Tuesday evening representatives of all the trading blocs which have been participating in Gatt's Uruguay Round.

His primary objective will be to find a formula that would allow countries to resume crucial talks on the reform of world farm trade.

The European Community and the US reached deadlock on Wednesday in their bilateral attempt to find a basis for renewing the talks.

Trade diplomats said yesterday that Mr Dunkel still had a reasonable chance of being able to propose a compromise.

Finnish economy shrinks

ECONOMIC growth in Finland will shrink for the first time since the war from 0.3 per cent in 1990 to minus 0.5 per cent in 1991, according to a Ministry of Finance forecast, Enrique Tessieri writes from Helsinki.

Mr Sixten Korkman, director-general of the Ministry of Finance, said the sharp drop in gross domestic product (GDP) was due mainly to a fall in trade with the Soviet Union as well as to a global slump in the forest industry. He estimated, however, that GDP growth in 1992 could be 1-2 per cent.

The Finnish economy has had one of the fastest GDP growth rates in the OECD during the 1980s, an annual average of 3 per cent.

The report also predicts a slight improvement in the current account deficit, which has been one of the main headaches of the economy. It is expected to fall this year from 4.8 per cent of GDP to 3.5 per cent, or from a deficit of FM25.5bn to FM19.5bn (£2.76bn) respectively.

AIDS expected to hit South Africa hard

By Kenneth Gooding, Mining Correspondent

AIDS, which has already had a devastating effect on the central African copper-producing countries, is likely in the second half of the 1990s to have a serious impact on South Africa, a prolific producer of minerals and the world's leading supplier of gold and platinum.

This gloomy outlook was provided by Mr Theo Hartwig, chief actuary of South Africa's Old Mutual insurance group, at an investment conference.

He said Old Mutual had constructed a theoretical computer-based model using scientific observations about the progress of AIDS (Acquired Immune Deficiency Syndrome) in other countries and the group's own observations of its spread in Malawi and Zimbabwe.

"The model shows that by 1995 perhaps 10 per cent of the working population of South Africa will be infected, 30,000 will be sick and 25,000 will die during the year.

"By 1998 the percentage positive has risen to nearly 40 per cent, 175,000 will be sick and 130,000 will die during the year. Thereafter the picture gets progressively more disastrous," said Mr Hartwig.

He suggested that the prospects for halting the epidemic seemed virtually non-existent because the chance of a cure or a vaccine which could be used in a third-world environment on a mass scale was remote.

Also remote was the possibility of the necessary big change in behaviour among the less-educated population.

Mr Hartwig said the problem was relatively small in South Africa at present but "towards the end of the decade the problem will become increasingly visible, with many people becoming sick with AIDS and dying. We estimate that population growth [in South Africa] will have ceased by the turn of the century."

Yeltsin refuses to approve price rises

By Leyla Boulton in Moscow

RUSSIAN president Boris Yeltsin said yesterday he would refuse to put his signature to a plan for sweeping retail price rises even though this would not stop the reform from going ahead.

The Federation Council, which includes leaders of the 15 Soviet republics, is expected to clear the central government's price reform package at a meeting in Moscow today – even though Georgia and Lithuania plan to reject it.

The meeting will also examine Soviet President Mikhail Gorbachev's proposals for an overhaul of central government structures as well as provisions for his draft union treaty. The government is expected to present the proposals to the nation by Monday, when the Soviet parliament reconvenes after an extended recess.

The Russian parliament, which endorsed Mr Yeltsin's position on Thursday, believes price rises are inevitable following a central government decision to raise wholesale prices from January 1. But Mr Yeltsin clearly appears to be trying to leave the blame for price rises on the centre.

He told reporters that prices would "possibly" go up but "without our participation". At an earlier meeting with members of the US Congress, he appealed for direct western economic assistance to the republics which would bypass the centre.

"If other countries are holding back because the Soviet leadership is pursuing tough measures to create a dictatorship, why should Russia suffer?" he asked the delegation, which had just completed a tour of the embattled Baltic republics.

Mr Yeltsin predicted that food shortages in the country would continue serious and could lead to "civil disobedience" in the next couple of months. "There is only one step from civil disobedience to civil war," he said.

In the same Pravda report, Mr Vladimir Scherbakov, labour minister, was asked to explain the logic of increasing prices while simultaneously boosting people's income.

"In the transition to a market system," he replied, "it is import to defend and support people on low incomes on the one hand, and honest workers on the other, in order to help them find their feet. This will guarantee the social concord which is necessary for constructive creativity."

● The Constitutional Compliance Committee, the closest thing the Soviet Union has to a constitutional court, appeared yesterday to cast doubt on the legality of a presidential decree providing for joint army and police patrols. Without condemning the controversial measure outright, it said there were "substantial flaws and other deficiencies" in legislation governing the use of the military to defend law and order. It said it had yet to produce a specific ruling on the decree itself.

Tough tax package for Argentina

By John Barham in Buenos Aires

PRESIDENT Carlos Menem of Argentina and Mr Domingo Cavallo, his new economy minister, have won the first round in their battle to stabilise the government's runaway finances, after the Chamber of Deputies approved a package of tough tax increases early yesterday.

The lower house approved the package with only minor changes following an agreement between the ruling Peronists and the opposition Radical party. The Senate's approval is now expected as a matter of course.

The increased taxes, designed to raise Treasury revenues by $200m (£101m) a month, are a crucial part of Mr Cavallo's measures to halt inflation, likely to reach 30 per cent for this month.

Although the Radicals opposed the measure, they did not deny the government a quorum, a frequent parliamentary tactic. In exchange, they won a commitment by the government to allow Congress 30 days to approve each future privatisation. The privatisation of seven state companies was authorised by presidential decree.

The government angrily rejected reports that the higher taxes would not cover all projected spending, which would force the government to delay payments, including some foreign debt service payments. An official said tax payments and profits from federally-owned companies and agencies would be used to plug any gaps.

Nuclear mishap shakes confidence in Japan's programme

Public support, needed for plans to build more plants, is threatened by the Mihama accident, reports Robert Thomson

LAST SUNDAY, the day after an accident at Japan's Mihama Nuclear Power Plant, residents in the area coincidentally received leaflets from the local power company boasting about the safety procedures that would make such an accident virtually impossible.

While the accident appears to have caused little environmental damage – the Japanese government says the released radiation did not register on measuring equipment – there could be lasting damage to public confidence and to Japan's ambitious nuclear power programme.

The embarrassing leaflets delivered to local residents claimed that safety devices can detect "pinholes that the human eyes cannot see" in conveyor tubes. However, a complete break in a conveyor tube resulted in abnormally high levels of radiation within the Mihama facility and activated the 500MW plant's emergency core cooling system.

Nuclear Safety Commission officials say the accident was serious, and an emergency cooling system was activated for the first time in Japan. But the commission argues that the success of the emergency measures highlights the safety of Japanese nuclear plants.

Officials at the Ministry of International Trade and Industry (Miti) said yesterday that the precise reason for the mishap remained unclear, and that a new nuclear safety publicity campaign must wait until investigators are satisfied that all the causes are identified.

"We have a problem now in finding sites for new nuclear plants because of public opposition. It can be said that this accident will not make this process easier," a senior Miti nuclear official said.

Japan plans to increase the number of nuclear plants from 38 to 78 by the year 2010, and to expand nuclear energy's share of electricity generation from 30 per cent to 43 per cent. But the programme needs public support, and Miti said five plants with planned construction starts by 1992 had been delayed by opposition.

The Gulf war and threats of disruption to energy supplies have convinced some Japanese that nuclear power is necessary, despite the risks. Miti also argues that relying on coal- and oil-fired power stations will produce greater long-term damage to the environment.

If the nuclear programme is slowed, Miti says, Japan will be unable to keep its promise of limiting the increase in carbon dioxide emissions to around 6 per cent over the next decade, as emissions will increase in line with the number of new thermal power stations.

The government's attempts to reassure the public after the Mihama accident have been partly undermined by a record of tardiness in admitting and explaining nuclear mishaps. Conscious of the credibility problem, the government has increased the flow of information in recent days, having been guarded immediately after the accident.

Miti says Chernobyl rated a 7 on the International Atomic Energy Agency (IAEA) accident scale and the Three Mile Island accident in Pennsylvania in 1979 rated a 5, but Mihama is probably a 1 or at most, a 2 on the seven-point index.

The nuclear programme has become an important political issue, with the anti-nuclear movement campaigning against pro-nuclear candidates in local elections. But they were surprised when a gubernatorial election two weeks ago in northern Aomori prefecture was won by a candidate supporting a planned nuclear waste dump and recycling facility in the area.

Anti-nuclear groups have become more active in recent days and linked their campaign to Japanese concerns about "food purity", an issued highlighted after the Soviet Chernobyl accident in 1986, when Japanese consumer groups advised members to avoid European agricultural products. Japanese farmers have also used this fear as an argument against a lifting of restrictions on imported foods.

Protesters have this week demanded that Japan close older nuclear plants, pointing to the age of the Mihama pressurised-water reactor, commissioned in 1972, as an important cause of the accident.

Mr Jinzaburo Takagi, president of the Citizens' Nuclear Information Centre, an anti-nuclear group, argued that all pressurised-water reactors were vulnerable to Mihama-type accidents, and "this is what scares us most".

But Mr Ruko Fujii, director of Miti's nuclear power safety department, said the problem would not prompt a review of the nuclear power programme. The ministry regarded the event as "an incident not an accident", and the emergency cooling system worked as designed.

THE BLUE ARROW TRIAL

Two County executives are accused of lying to Bank

TWO County NatWest executives misinformed the Stock Exchange and lied to the Bank of England about steps taken after the failure of the record-breaking £837m Blue Arrow rights issue, an Old Bailey court heard yesterday.

Mr Nicholas Purnell QC, prosecuting, said that two days after the issue closed, Mr David Reed, then County's corporate finance managing director, and Mr Nicholas Wells of County's corporate advisory department had told the Bank that they had "warehoused" Blue Arrow shares in a way that would not require disclosure under the Companies Act. The Bank might not have been aware of the significance of what it was being told, Mr Purnell said. But had the Stock Exchange been given that information, it would "have been at County with ferocity".

In fact, he said, warehousing had not been mentioned at a meeting between County executives and the Stock Exchange which Mr Stephen Clark, a County director, later described as "poetry in motion".

The defendants, who deny having conspired to mislead the market about the outcome of the rights issue, are: County NatWest, NatWest Investment Bank, UBS Phillips & Drew Securities (P&D), Mr Clark, Mr Wells, Mr Reed, Mr Jonathan Cohen, former County chief executive, Mr

Court report by **John Mason** and **Raymond Hughes**

Alan Keat, a partner in City solicitors Travers Smith Braithwaite, Mr Martin Gibbs, a former director of P&D, and Mr Christopher Stainforth, former P&D corporate finance director. Mr Purnell said the defendants had not been taking part in a "romantic scam", intending to jet off to the South Seas afterwards. They would still be around and had to protect their reputations.

To do this they had to control information about the performance of the biggest cash call the City had ever seen. Mr Wells had told the Bank that County had taken "double, even treble, legal advice" and was sure it was allowed to offer an indemnity against loss to P&D in return for the broker taking some of the unplaced shares.

In fact, said Mr Purnell, before the issue had closed County had been legally advised that if an indemnity were given to an acquirer of shares it would have to be a real commercial transaction at arm's length.

Mr Purnell said it must have been clear to Mr Keat when he drafted the indemnity that a proposal to give P&D's marketmaker an indemnity against loss in return for taking some of the rump of shares was not a commercial transaction at arm's length but part of a scheme whose only purpose was to mislead the market. Mr Purnell told the jury he hoped that, after a week hearing the case, they realised the trial was about people and the decisions they had taken.

"It is not about arcane and difficult propositions of law," he said. "Nor is it about the mysteries of the merchant banking world. It is about a group of people confronted by an unpalatable position, who were offered an opportunity to tell the truth and state what was the reality to the world at large and who instead, on the prosecution's allegation, drew up a series of devices using their expertise and specialist knowledge to pull the wool over a group of audiences."

The trial continues on Monday.

Supplier to GPs says it may fail

By Clive Cookson

VAMP HEALTH, a leading supplier of computers to family doctors, has warned 1,000 general practices that it faces failure unless doctors accept a new contract with the company within a week.

"Over the past two days it has become clear that a substantial refinancing package which Vamp has been negotiating for several months is not now likely to arrive," Dr Alan Dean, Vamp medical director, says in a letter to doctors.

The doctors involved are in a scheme under which Vamp pays them enough to cover the leasing and maintenance costs of their computers in return for information about their prescribing habits and their patients' diseases. The information is sold to pharmaceutical companies for market research and monitoring of drug safety.

Vamp says its income from selling research data in the year to January 31 was £2.2m, against £6m paid to GPs.

The company is asking the GPs to terminate their five-year agreements and sign 25-year "research partnership" agreements. Those would guarantee doctors a share of Vamp's future profits from selling data, but payments for at least the next three years would be much lower.

"It is necessary to ensure that the position is immediately resolved to avoid the company going into receivership," it said.

Vamp is a private company with 200 employees. It was founded in 1984 with £3.7m in venture capital funding to develop medical computing systems. Turnover last year was £14.3m.

If the company collapses, 1,000 other practices which have bought Vamp computers will also suffer because maintenance of their systems will cease. Vamp had an estimated 32 per cent of the general practitioners' computer market in 1990.

BR expects services to be disrupted next week

Richard Tomkins, Transport Correspondent

DISRUPTION to rail services following last week's snow is expected to continue into next week, with Network SouthEast routes worst affected, BR said yesterday.

About 20 per cent of Network SouthEast's trains were still out of operation yesterday, and BR does not expect to have enough of them repaired to run a full peak-hour service on Monday.

It said some routes would suffer delays and cancellations and others would have shorter trains than normal, but the extent of the disruption would depend on progress with repairs.

The line experiencing the worst train shortage is the Thameslink cross-London route, where only half the trains ran yesterday and only the northern section of the line operated, with trains terminating at King's Cross. BR said the full Thameslink service was not expected to resume on Monday.

Lines out of Charing Cross, Waterloo, London Bridge and Victoria, and the King's Cross to Cambridge line are also badly affected.

Sir Bob Reid, BR chairman, said yesterday that services had been "poor" and promised a full investigation.

"It has been a hard week for British Rail, but an even harder week for many of our customers," he said. "That I very much regret.

"We have not provided many of our commuters in particular with an adequate or dependable service," he went on. "We are finding out what went wrong and what we have to do to put it right.

"I can assure customers that there will be a searching examination of all the causes of our poor performance."

TV changes give fuzzy picture of progress

Alice Rawsthorn on the forthcoming auctions of independent television franchises

SECURITY is the watchword at the Independent Television Commission's headquarters on London's Brompton Road. Employees have been issued with electronic identity cards, extra security guards have been hired, and the building is about to be swept for bugging devices.

These precautions are part of the ITC's preparations for the forthcoming auction of independent television licenses.

Yesterday the commission advertised for applications for the 15 regional Channel 3 franchises and for the national breakfast-time licence.

The applications, accompanied by sealed envelopes containing cash bids for each franchise, will arrive at the ITC over the next three months and the commission will announce the winners in the autumn.

When the government's first proposed auctioning ITV licences to the highest bidder it looked like a dashing Thatcherite initiative to drag Britain's commercial television system into a free-marketeering future.

Now, however, the auction looks like a damp squib. The old system of franchise allocation was rooted in the 1950s Reithian ethos of public service broadcasting. The Independent Broadcasting Authority, the ITC's predecessor, vetted applicants for financial stability and then awarded the franchise to whichever it thought was the best candidate.

This system was criticised for being too subjective and for invariably allowing the incumbents to keep most of the franchises – with the IBA weeding out a token couple of miscreants. All the incumbents survived the last franchise round in 1982 except for Southern, which wassuspected of neglecting its programme-making responsibilities; and Westward, which had just emerged from a boardroom bloodbath.

TV quiz: (top) Lord Hanson, Michael Green; (bottom) Richard Branson, Andrew Lloyd-Webber

Auctioning the licences to the highest bidder would, the free marketeers hoped, bring new blood into the system and shake up the incumbents. But by the time the Broadcasting Act was published last November – four months late – it had turned the 166 clauses and 12 schedules of the Broadcasting Bill into 240 clauses and 22 schedules and watered down most of the original proposals.

The ITC will still give the licences to the highest bidders but only if they pass its "quality threshold" – whereby it decides whether the applicants' programming proposals are acceptable and whether they would be financially capable of executing them. The ITC can also award the licence to a lower bid if it decides there are "exceptional circumstances", in other words, if it is particularly impressed by the calibre of the bidder.

Even Mr George Russell, the industrialist chosen by Mrs Thatcher to add a free-marketeering flavour to the ITC as its chairman, admits that the auction is not likely to produce radical changes in the shape of the ITV system.

The arcane nature of the franchise allocation process, coupled with the recession, has deterred many would-be bidders. This time last year it looked as though there would be 70 or 75 bids; the number of likely bidders has since dwindled to 25 or 30.

Mr Kip Meek, head of the media consultancy at Coopers & Lybrand Deloitte, the accountancy firm, suspects some prospective investors will wait until after 1993 when the moratorium on ITV takeovers is lifted: "The market should be more buoyant by then and it will be easier to gauge the real value of the licences."

However, some potential bidders have emerged. The cast list includes Mr Richard Branson's Virgin; Mr Michael Green's Carlton Communications; Mr Andrew Lloyd-Webber's Really Useful Group; Lord Hanson; and the local entrepreneurs stalking smaller franchises such as TSW and Ulster.

These would-be bidders are trying to guess which incumbents will be easiest to dislodge. TV-am and TVS are mooted as the likeliest victims of the quality threshold.

The incumbents are preparing their defence. The approach of the auction has been heralded by rationalisation and restructuring. This week alone there were 200 job losses at HTV and 40 at TSW. Mr James Gatward, founder and former chief executive of TVS, resigned after weeks of wrangling with Mr Rudolph Agnew, the group's new chairman, and Mr Agnew is criss-crossing the Atlantic trying to sell MTM, the ailing Hollywood production company owned by TVS.

All the bidders, incumbents included, now face the tricky task of pitching their bids. The prices may range from £150m to £175m for Thames downwards. The formula for fixing the price involves juggling all sorts of imponderables, including the prospects for the UK economy, the impact of satellite television on the advertising market, and the future of a financially independent Channel 4.

The bidders then have to work out who their rivals will be and how high they are likely to bid. It is only then that they can decide on a final price and send their sealed envelopes through the shield of security guards and identity card detectors at the ITC.

THE ITV network's share of television advertising revenue and audiences will fall sharply during the lifetime of the new ITV licences, says Saatchi & Saatchi, one of the UK's largest advertising agencies.

Saatchi estimates that the share of television advertising revenue claimed by Channel 3, as ITV will be known after 1993 when the new franchises come into operation, will fall from 79 per cent in 1990 to 52 per cent in 2003. Its share of the commercial television audience will fall from 74 per cent to 40 per cent during the same period.

The agency's study of the television industry's future says that new channels during the next decade will fragment the commercial television audience. This proliferation, however, should also fuel further growth in television advertising revenue, which is expected to rise from £2.29bn in 1990 to £7.95bn in 2003. Satellite television is expected to reach 70 per cent of UK homes by 2003 and command 40 per cent of the commercial television audience and 28 per cent of television advertising expenditure.

Channel 5, the specialist and regional channel scheduled for launch in 1994, is expected to take 9 per cent of the commercial audience and 8 per cent of advertising. Channel 4 and TV-am, like the Channel 3 companies, are expected to lose share of audiences and advertising.

UK Television Forecasts to 2003, Saatchi & Saatchi, 80 Charlotte Street, London W1A 1AQ. £150.

NEWS IN BRIEF

STC lays off Ulster workers

STC, THE electronics group, yesterday announced that it was laying off 360 employees at its Northern Ireland factory because of a "less promising outlook" caused by the recession.

The lay-offs affect workers recruited on temporary contracts to meet year-end deadlines last year. Some of the jobs were created when STC moved production work to Newtownabbey in County Antrim from other UK plants.

"The outlook for this year is less promising with the country in recession. We have decided to retain our regular workforce and to dispense with the temporary labour," the company said. STC employs 1,650 at the plant.

The move came within 24 hours of C.S. Brooks, a textile company based in County Armagh, announcing 140 redundancies as a result of the closure of its plant at Lurgan.

Perkins cuts jobs

PERKINS, the engine-maker, said yesterday it was cutting 280 jobs in Peterborough, blaming the recession and the Gulf war. Also yesterday 100 workers were made redundant at the Larma clothing factory in Aspatria, Cumbria, and a further 100 staff were laid off for two weeks.

Electricity contracts

NATIONAL Grid Company has sold its first electricity contract to Eastern Electricity.

The contract, like those sold by the two generating companies National Power and PowerGen, is a financial instrument – a "contract for differences" – that protects both parties from movements in the pool, or spot, price of electricity.

Absent parents bill

LEGISLATION giving the government powers to force absent parents to maintain their children was introduced into the Lords yesterday.

When law, the Child Support Bill will enable the government to set up a Child Support Agency to trace absent parents and assess, collect and enforce maintenance payments.

The bill will provide for employers to deduct maintenance from earnings. Mothers who without good reason refuse to cooperate with the new agency in tracing absent fathers are liable to have social security benefits reduced.

Badger protection

A PRIVATE member's bill to protect badger setts was given an unopposed second reading in the Commons yesterday. Mr Roy Hughes, Labour MP for Newport East, and chief sponsor of the bill, made it clear he would be prepared to accept amendments which ensured that the outlawing of badger-baiting did not prevent fox-hunting.

Safer soccer

A BILL to counter soccer hooliganism by making it an offence to throw missiles, utter obscene or racist abuse or enter the playing area without reasonable excuse was given an unopposed second reading in the Commons yesterday.

BBC chief chosen

THE BBC has appointed Mr Will Wyatt, 49, as managing director of network television. He succeeds Sir Paul Fox, who is retiring from the BBC.

Mr Wyatt, a former head of features and documentaries, is assistant managing director for network television, and has been involved in the BBC's Funding the Future cost-cutting scheme.

Government issues bonds worth £500m

By Peter Marsh, Economics Staff

EXPECTATIONS of a large rise in government borrowing in the next financial year were strengthened yesterday by the announcement of a new stock of government bonds, the third since mid-January.

The gilt-edged securities, worth £500m, will become available for trading from the Bank of England. The securities are the 10 per cent stock maturing in 2001 and carry a price of around 99$\frac{11}{16}$.

If the new issue is completely taken up in the gilts market, the government will have raised £1.5bn in the past month. More issues are expected in 1991-92 as government finances move into deficit.

The Bank chose yesterday's stock partly because it seems likely to attract interest among buyers keen on securities which mature in about 10 years, a popular benchmark for government bonds.

Many market participants believe the rash of issues is designed to prepare the market for a large volume of issues in the next 15 months.

Dublin concern on Ellis charges

THE Irish government has expressed concern about a British court decision to bring new charges against Mr Desmond Ellis, a Dublin man extradited to Britain last November, writes Kieran Cooke.

Mr Ellis, aged 38, was extradited to face charges relating to a series of explosions in London in the early 1980s. Earlier this week a London magistrate dropped the two original charges and said Mr Ellis would be committed for trial on two new conspiracy charges.

Van maker agrees 11.5% pay rise

By Diane Summers, Labour Staff

IBC Vehicles, the van manufacturer, has agreed a pay increase of 11.5 per cent with unions at its plant in Luton, Bedfordshire.

The company plans to step up recruitment as it prepares to launch a new model in the autumn. That is in spite of the downturn in sales that has affected much of the domestic commercial vehicle market.

IBC is a joint venture owned by General Motors of the US and Isuzu of Japan.

The settlement, which covers all 1,750 employees at the plant, is backdated to December 1990 and forms part of a two-year deal. The pay increase in the second year will be based on the retail prices index for November 1991 plus 1.25 per cent.

The size of the increase is further evidence that the recession has so far had a limited impact on pay, according to Incomes Data Services, the pay research organisation. It said most recent pay settlements had included increases of about 10 per cent, although some had been far lower in sectors badly hit by the recession.

Although the IBC deal appears to be high in relation to current levels of inflation, it is in line with other recent agreements in the motor industry.

Comparable settlements have been agreed in recent months by four of the six volume car manufacturers in the UK.

Jaguar's basic rates were increased by 12.5 per cent from November 1990. Basic rates at Rover were increased by 11 per cent from the same date, and Nissan and Peugeot-Talbot raised basic rates by 10.5 per cent and 12 per cent respectively from January 1991.

IDS Report 587. Incomes Data Services, 193 St John Street, London EC1V 4LS. By subscription.

EC plan for employees rejected

By John Gapper, Labour Editor

MOST British companies employing more than 1,000 people and with bases in more than one EC country would be forced to accept expensive forms of employee consultation under proposals from Brussels, the government said yesterday.

The government said the proposals were "both inflexible and prescriptive" and would impose substantial costs on employers. It was responding to the European Commission's draft directive on worker information and consultation.

Mr Michael Howard, employment secretary, said British companies would be disproportionately affected because they would be forced into a European model which was not traditional in Britain.

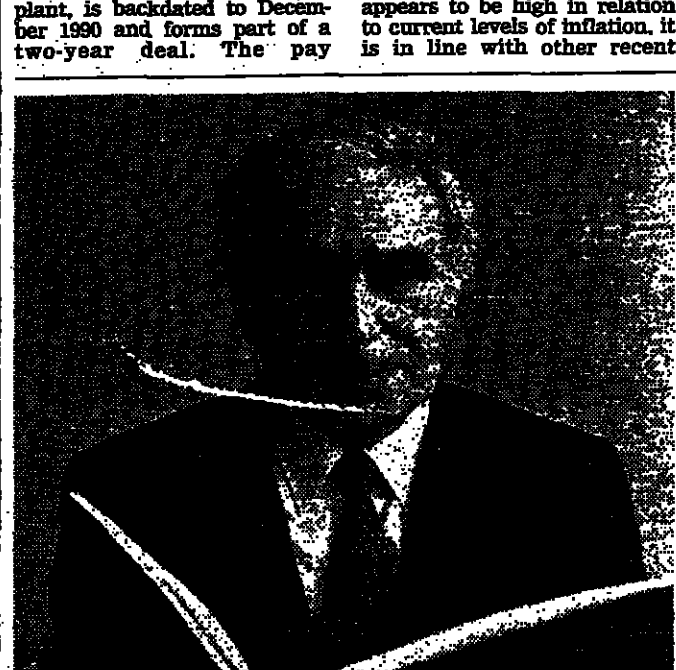
The directive put forward under the social action programme – to which the British government has expressed more opposition than any of its EC partners – is the latest in a series of proposals for compulsory worker participation.

The government yesterday issued a consultation document seeking the views of employers and others on the draft directive.

The proposed rules would require all EC companies employing more than 1,000 people, including more than 100 in each of two or more EC states, to set up a European works council as a mechanism for informing employees.

The government document said the commission's claim to have adopted a simple and flexible approach to the issue could not be substantiated. Instead, it would make British companies replace or duplicate measures for employee involvement.

Proposals for a Directive on the Establishment of a European Works Council. Free from Department of Employment Industrial Relations Division. Rm 334, Caxton House, Tothill Street, London SW1H 9NF.



Trevor Humphries

Sir Sydney Lipworth: seeks freedom for EC merger task force

MMC workload reaches record

By Robert Rice, Legal Correspondent

THE Monopolies and Mergers Commission had its busiest year in 1990, its annual review showed yesterday. It ended the year with one of the smallest workloads since it was founded in 1948.

The steep drop in the number of mergers referred to the commission in the second half of 1990 indicates the extent of the slowdown in mergers and acquisitions. The commission completed 35 reports in 1990, bringing to 99 – a third of all MMC reports – the total completed in the past five years. Of the 35 reports in 1990, 27 related to mergers.

The commission now has only two merger investigations in hand. One concerns the Morgan Crucible purchase of the European refractory ceramic fibre and high-temperature fire-brick businesses of Manville International of the US. The other is the bid by Elf Aquitaine, the French state-owned oil group, for the British refining and petrol-station business of Amoco. No referrals have been made this year.

Sir Sydney Lipworth, MMC chairman, refused yesterday to be drawn on the government's tough new policy on acquisitions in the UK by foreign state-controlled companies. He was presenting the annual review.

Five proposed mergers involving foreign state-controlled companies have been referred to the MMC since Mr Peter Lilley, trade and industry secretary, announced the government's determination to prevent "nationalisation by the back door" last July. Four of the five involved French companies.

Sir Sydney said the MMC's views in three of the five cases had been made clear in published reports. There was no question of the MMC seeking to denigrate the government's policy or to influence the direction of competition policy in general.

A significant feature of 1990 had been the small number of hostile takeovers and "mega-mergers" examined by the commission, he said. Only the case of the Dixons retail chain and Kingfisher, the retail group which owns Woolworths and Comet, fell into both categories.

There appeared in 1990 to be an increase in the number of trade sales – sales to corporate purchasers – referred to the commission. Companies began to concentrate more on their core businesses, disposing of activities into which they had diversified in recent years.

The MMC said trade sales tended to raise competition issues because the best price was often obtainable from someone active in the market, such as a competitor.

It was too early to say what the effect of the new EC merger-control regime would be, Sir Sydney said. He reiterated his call for the EC merger task force to be made more independent of the European Commission. "The investigators of the facts should be moved sideways away from the [European] Commission."

Monopolies and Mergers Commission 1990 Review. Free from the MMC, 48 Carey Street, London WC2A 2JT.

UK COMPANY NEWS

S&P downgrades Barclays' rating

By David Lascelles, Banking Editor

BARCLAYS, the UK's largest clearing bank, lost its prized triple A status yesterday when it was downgraded by Standard & Poor's, one of the US' leading credit-rating agencies.

S&P said the downgrading reflected the impact that the UK recession was having on Barclays' profits and balance sheet. According to S&P, Barclays had suffered a sharp increase in problem loans, and the agency expected that the bank would have to continue to make large provisions at least until the end of this year.

S&P stressed that Barclays remained a strong bank but it said that Barclays' profitability was being affected by the high level of competition, particularly in the retail banking market, and that its capital adequacy had declined slightly.

Sir John Quinton, Barclays' chairman, said last night that it was "difficult to argue" with S&P's cut.

Yesterday's cut affected a wide range of about $10bn-worth of securities issued by Barclays. The principal change was to the bank's senior debt rating which fell to AA+.

Barclays is still rated triple A by Moody's, the other leading US agency. But the cut ends a two-year spell during which Barclays belonged to the select group of banks in the world which are rated triple A by all the major agencies.

NatWest, the UK's second largest clearer, was demoted last summer.

S&P also said that it was placing Midland Bank's debt ratings on credit watch, implying that a cut may be in the offing. S&P said that Midland's relatively weak operating profitability and capital adequacy "means it has considerably less financial flexibility to ride through a period of high loan losses compared with most domestic peers".

S&P's action comes only a week before the UK clearing banks are due to report their 1990 results. These are expected to show a sharp rise in bad debts.

New accounting ruling likely to hit profits

By David Waller

REPORTED PROFITS of a number of quoted companies with outstanding convertible bond issues are likely to fall as a result of an accounting recommendation put out yesterday by the Financial Reporting Committee of the Institute of Chartered Accountants in England and Wales.

The authoritative recommendation will affect companies which issued bonds in the mid-1980s with put options.

Companies which made such issues include Saatchi & Saatchi, Argyll Group, Burton Group, Hillsdown Holdings, London International Group, Storehouse and United Biscuits.

However not all these companies will be affected by the ruling as some have already made provisions for the effect of the put.

The option obliges the company to redeem the bond at a premium to the issue price after a number of years. At the time, few companies thought they would ever have to redeem the bonds because share prices were rising so fast that it was more likely investors would convert the bonds into equity.

However, it is now increasingly obvious that the shares are unlikely to reach the conversion price, meaning that companies will have to redeem the bond. Whereas previously they have deducted the interest on the bonds (normally low) against profits, they will now have to allow for the whole pay-out, expressed as a true effective interest rate.

The ICAEW's recommendations say that when companies have decided to charge the true effective interest rate, the backlog of extra interest for earlier years – when the company charged only the coupon interest on the bond – should all be charged against current year profits.

Thus, if the true interest rate on a £100m issue is now deemed to be 10 per cent as opposed to the 5 per cent charged in previous years, and the bond was issued three years ago, the company will have to take a charge of £15m against pre-tax profits.

The accounting change will not affect companies' ability to finance the redemption of the coupon, but will just make it clearer to investors what the true interest cost is.

Problems over Saatchi & Saatchi's £211m convertible issue lie behind the advertising agency's announcement of a refinancing package earlier this month. Last month LIG held a £61.6m rights issue in order to finance the redemption of its £60m convertible issue.

Argosy fails to continue managing Navy fund

By Michiyo Nakamoto

THE FUTURE of Argosy Asset Management, the fund managers of the Merchant Navy Officers Pension Fund, looks bleak after failing in a bid to continue managing even part of the £1.5bn fund.

The fund ran a 'beauty contest' of investment managers this week and has decided to award no business to Argosy and is negotiating with other parties, Argosy said.

The MNOPF's trustees had been unhappy with Argosy's fund management style, which focused on investment in smaller, unquoted companies, and its performance, and cancelled Argosy's contract in December. Argosy is wholly-owned by Ensign Trust, the listed investment trust, which it manages and is in turn 78 per cent owned by MNOPF.

At the end of last year, Ensign Trust had 60 per cent of its holdings in unlisted companies, which worked well during the market's bull years but failed to provide satisfactory returns under recent more sluggish conditions.

MNOPF subsequently divided its fund into five separate funds which it put up to tender. Argosy had hoped that the resignation last month of Mr Geoffrey Musson, managing director, and Mr Philip Henderson, who had been the leading influences behind Argosy's unconventional management style, would give it a chance to win management of at least one of the funds.

Although Argosy was included as a candidate for management of some of the funds, MNOPF's desire to have its funds managed by a large international company, meant that it was effectively disqualified from the start, said Mr Clive Gilchrist, Argosy's managing director.

It retains management of Ensign Trust, which has about £340m of holdings. MNOPF, however, has proposed that Ensign should sell its portfolio and effectively be liquidated over a period of five years. Argosy's total funds under management, amounted to £2.1bn. "This is not enough at our present level of overheads," Mr Gilchrist said.

Saatchi rescue package likely to include £50m cash call

By Alice Rawsthorn

SAATCHI & SAATCHI, the troubled advertising group, is expected early next week to announce new proposals for a financial rescue package including details of a £50m rights issue.

Saatchi, which urgently needs to restructure its finances to alleviate its burden of debt and liabilities, has for several weeks been in discussion with its investors over the modification of its controversial refinancing plans announced in early January.

Last night Saatchi and its London advisers, SG Warburg, the merchant bank, were putting the finishing touches to a new set of proposals which should be released on Tuesday or Wednesday next week.

Saatchi's shares were static at 24p yesterday after the announcement on Thursday that Mr Robert Louis-Dreyfus, its group chief executive, had been charged with insider trading in the US before he joined Saatchi.

The new proposals are expected to include a £50m rights issue to replace the £20m bridge fund which was to have been provided by Donaldson Lufkin Jenrette, Saatchi's New York advisers, under the original refinancing plan.

The two largest holders of Saatchi's Euroconvertible stock – Lord Rothschild, the London financier, and ESL Partners, a Dallas-based investment company – may be leading players in the underwriting of the issue.

Rothschild and ESL, like other Saatchi shareholders, were fiercely critical of the Donaldson bridge fund, which carried hefty interest costs. Saatchi has already paid £350,000 to Donaldson for making the facility available.

The new proposals will also involve swapping Saatchi's Europreference and domestic preference shares for new ordinary shares. This will involve heavy dilution for the group's existing ordinary shareholders.

However, Saatchi might be able to resume dividend payments on its ordinary shares sooner. Under the original proposals it did not have to pay dividends on the new preference shares for up to three years.

It is expected to make a statement about dividend policy in the documentation for the refinancing, due to published at the end of this month.

Ratners puts 35 Salisburys stores on the market

By John Thornhill

Ratners, the jewellery chain, has put 35 of its 235 Salisburys handbag and custom jewellery shops up for sale as part of a group cost-cutting programme.

The stores on offer employ 200 people. Ratners is also expecting to reduce staff by 1,000 throughout the company over the next 18 months through natural wastage, and is implementing several recommendations made by McKinsey, the US management consultancy, to cut costs.

This programme involves reducing the amount of stock held in its stores and warehouses and tightening up on expenditure.

Salisburys has been the weakest chain in Ratners retailing line-up since it was bought with the Zales jewellery business from Next in a £150.8m deal in 1988.

There have been persistent suggestions that Ratners would like to sell Salisburys, although it seems highly unlikely that it would seek to do so in the current depressed market conditions.

Property write-down leaves Sheraton £57m in the red

By Andrew Bolger

SHERATON SECURITIES International, the property developer, has made huge write-downs on its portfolio and is once again in talks with bankers to try to secure its future.

For the six months to end-September the company incurred a pre-tax loss of £56.57m (profits £11.85m), mainly accounted for by an exceptional provision of £49.1m to cover the difference between the book value of properties held for development and resale and their current market value.

Last August Sheraton shares resumed trading following a four-month suspension when its 33 bankers agreed a £50m refinancing package. An associated 2-for-1 rights issue flopped, leaving most of Sheraton's shares in the hands of the underwriting bankers, which include PK English Trust and SG Warburg.

A condition of the refinancing was that shareholders' funds should not fall below £30m. The half yearly statement means that shareholders' funds now show a deficit of £24m. The company has called an EGM for March 15 to consider its future.

Mr Richard Cox-Johnson, chairman, said: "The directors are in discussions with the company's bankers to secure a stable long-term financial base. The purpose of these discussions is to enable sales of properties to be deferred until market conditions improve, thus avoiding the realisation of the provisions."

One analyst said: "Bankers believe this is the wrong time to pull the plug on highly geared developers, on the basis that they will get very little of their money back. If interest rates fall and prices rise, then there might be more liquidations."

The interim dividend is being omitted – 2p was paid previously. Net rental income of £1.89m (£1.37m) was almost wiped out by a deficit on trading income of £1.54m, as against positive income of £14.7m in the comparable period. Losses of 13.7p compared with earnings of 2.1p.

Administrative receivers called in at Video Store

By John Thornhill

VIDEO STORE Group, the video rental chain, has been put into administrative receivership, following the company's failure to agree revised borrowing facilities with its bankers.

The chain runs more than 100 outlets, mainly in the south-east of England, and the jobs of 500 full and part-time staff are at risk.

However, Mr Alan Bloom, one of the receivers from Ernst & Young, said he was very hopeful that the business could be sold as a going concern because he had already received approaches from more than 50 interested parties.

Video Store, previously known as the Goodman Group when it ran a fashion retailing business, only entered the video market about 15 months ago.

But the hectic rate of expansion left the company exposed when the video market softened last year because of a combination of the World Cup, hot weather and the spread of satellite television.

"The video industry had a horrendous time in the summer and autumn last year. Video Store was hit by the downturn just when it was ploughing a lot of money into its expansion," Mr Bloom said.

The company's shares were suspended at 1¾p on Tuesday "pending clarification of the company's financial position".

Haynes cuts interim as profits slide by 70%

HAYNES PUBLISHING was hit badly in the first half to November 30, with pre-tax profits down 70 per cent, from £1.66m to £494,000. To minimise cash requirements the interim dividend is cut from 4.5p to 1p.

The group's major product is the publication of owners' workshop manuals mainly for cars and motorcycles for home consumption and export; but Haynes plans to switch production of US manuals to North America where the cost is lower than the UK because of the over-valued pound.

Mr John Haynes, chairman, said the group had suffered from the recession, the cost of factory expansion completed prior to the recession, interest rates, and the exchange rate making exports to the US less profitable.

To reduce the cost base in the UK a series of redundancies had been instigated. The Leeds distribution warehouse had been closed, and will be sold to reduce borrowings.

Turnover rose to £9.56m (£7.99m). The UK accounted for £5.82m (£5.43m), the increase resulting from the acquisition of Patrick Stephens and the distribution of books for an American publisher; but the trading profit slumped to £179,000 (£1.21m).

North American profit came to $726,000 but on conversion to sterling showed a reduction of 19 per cent to £374,000.

Earnings per share fell to 2.85p (10.13p).

Chancery shares suspended at 36p

The shares of Chancery, the financial services group which fell into the red last summer, were suspended yesterday at 36p pending an announcement about its financial state.

The group incurred a pre-tax loss of £1.27m in the six months to September 30, after making £3.5m provisions against its loan book because of the sharp fall in property values. About half the loan book is property-based.

Trussed by refinancing needs and the Framlington fall-out

Philip Coggan on Throgmorton's tribulations

A DIVIDEND cut from an investment trust is an unusual occurrence. But then Throgmorton is an unusual trust.

Its recent history has been plagued by a Department of Trade & Industry investigation into alleged insider dealing, and the acrimonious consequences of a merger with Framlington, the unit trust management group.

And its immediate future is blighted by the probable need to refinance a £58m convertible loan stock in 1993.

Last week, the pressures on the trust were shown by a 39 per cent fall in the net asset value to 59.02p at the November 30 year-end (it had peaked at 106.84p at the end of 1988) and a 47.5 per cent cut in the final dividend to 1.25p.

The group's net income marginally failed to cover the total dividend for the year and the shares are trading at a 22 per cent discount to net assets – high for the sector.

Mr Ian Stewart MP, a former Treasury minister who took over as the group's chairman in October, sees making Throgmorton into a more conventional investment trust as one of his main tasks. That means gradually reducing its stakes in the various subsidiary trading companies.

"The trust has become in part a holding company for the various trading subsidiaries," says Mr Stewart, "and they have had a disproportionate effect on the performance of the trust. In good times, they bring extra earnings value, in bad times they produce the opposite. This is something which doesn't sit comfortably within the objectives of an investment trust, which aims for a steady improvement in assets and income."

A start has already been made on this plan. Last year, agreement was reached for the French bank Crédit Commercial de France to buy a minority stake in Framlington. In April, CCF will increase its holding to 51 per cent.

Throgmorton intends to retain some kind of stake in Framlington, which manages the trust's portfolio as well as the other trusts with the Throgmorton banner – Pan European, Dual and USM. However, Mr Stewart does not rule out further reductions in its holding.

The value of the stake in Framlington has been reduced following the decline in stock markets and some insistent questioning at last year's annual general meeting.

CCF raised eyebrows by paying 3.3 per cent of funds under management for its initial stake in Framlington – a high percentage by the standards of the industry. The second tranche is being acquired for a still buoyant 2.75 per cent but Throgmorton has valued its remaining holding at something nearer 2 per cent.

That has made a dent in the balance sheet since, at end 1989, the whole of Framlington was valued at £75.7m; by end 1990, the 75 per cent stake was only valued at £38.4m.

Ian Stewart: aim is assets and income improvement

Framlington has, in any case, been beset by problems over the last few years.

The merger with Throgmorton led to a clash of cultures and the departure of disaffected staff. That was followed by a DTI inquiry into alleged insider dealing involving Acatos & Hutcheson, the edible oils group. Although Throgmorton directors denied any wrongdoing and the DTI decided to take no further action, the affair made for unfortunate headlines.

Then, says Mr Stewart, "just as the group got clear of the adverse publicity, the Gulf crisis hit last August." Stock markets plunged, reducing management fees and discouraging private investors from buying Framlington's unit trusts.

However, Mr Stewart is confident that Framlington is well placed for the future. The company has £1.9bn of funds under management and hopes to create profitable international investment links with CCF.

Mr Stewart's stance on the group's other trading subsidiaries is less sanguine. Neither R Green, the building and property subsidiary, nor Arthur Ackerman, the art dealer, will be retained within in the group in the long run.

But that does not mean they will be sold immediately. Prompt disposal of either subsidiary would risk a sale at the bottom of the trading cycle.

R Green has seen sharply reduced residential property sales and was forced to make substantial provisions against stocks and work in progress. Throgmorton has written down the value of the group on its balance sheet. Arthur Ackerman is suffering from the downturn in the art market.

The group has had other major problems. Its equity investments have been concentrated in smaller companies, which have substantially underperformed in the last two years. And Throgmorton also has some £92m in borrowings - such gearing worsens a trust's performance when the market is falling.

The biggest lump of debt is the £58m convertible which is redeemable at 117.5 per cent – at the holder's option – as of April 30 1993. Throgmorton has already made provision in its accounts for half the £10m premium it will have to pay if the holders exercise their put option. However, an even bigger headache may be refinancing the £58m principal at anything like the 7.25 per cent rate currently payable.

The problem may be surmounted. "Most of the holders of the convertible are ex-directors of Framlington who took the stock to gain roll-over capital gains tax relief," says Mr Lewis Aaron, an analyst at Barclays de Zoete Wedd. It therefore makes sense for them to postpone redemption.

Will the trust recover? Mr Aaron points out that Throgmorton has been involved in three of the worst sectors over the past few years – property, fund management and smaller companies. "If you are a contra-cyclical investor, that is not such a bad thing," he says, especially as the group's gearing will become a positive factor if the market recovers.

But the trust has some way to go before it resumes its full place among the boring, but rock-solid, denizens of the investment trust sector.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Anglo/O'seas Tr ......fin	4.4	Apr 22	4	6.15	5.6
Cranbrook Elect ......fin	nil	-	nil	nil	0.5
Fairway (Ldn) § ......fin	2	Apr 9	1.75	3	2.75
Haynes Publish'g .....int	1	Apr 30	4.5	-	10
Nth American Gas....int	1.125	Mar 28	1.125	-	3.75

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock.

LONDON RECENT ISSUES

EQUITIES

Issue Price	Am'nt Paid up	Latest Renunc Date	1990/91 High	1990/91 Low	Stock	Closing Price	+or -	Net Div	Times Cov'd	Gross Yield	P/E Ratio
$100	F.P.	–	95	58	♦Eidos 10p	58		–	–	–	–
–	F.P.	–	3825	3525	Eurotunnel Fnder. Wrrnts	3550		–	–	–	–
–	F.P.	–	100	90	JF Pacific (New Wrrnts)	100		–	–	–	–
50	F.P.	–	45	43	Trio Inv. Tst.	44		–	–	–	–
–	F.P.	–	9	6	Do. Warrants	7		–	–	–	–

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc Date	1990/91 High	1990/91 Low	Stock	Closing Price £	+ or -
–	–	–	86	68	Brent Walker Capital 13pc Cv Cap Bd	80	
‡	P/P	29/11	38p	30p	Greenacre Group Cv. Rd. Prf. 70p	30p	
35	–	–	34½	29½	Greenwood Securities 8pc Cv Ln 2000	34½	
100p	F.P	–	103p	96p	ITT Group 10¾pc Cm. Red. Prf. 1997	101p	
100p	F.P.	–	110p	97p	Worcester Cm Rd Cv Pf	105p	

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc Date	1990/91 High	1990/91 Low	Stock	Closing Price p	+ or -
197	Nil	–	45pm	37pm	Tesco 5p	43pm	–1

a Annualised dividend. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. g Assumed dividend and yield. a Forecast or estimated annualised dividend rate, cover based on previous year's earnings. F Dividend and yield based on prospectus or other official estimates for 1990-91. H Dividend and yield based on prospectus or other official estimates for 1991. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1991-92. N Dividend and yield based on prospectus or other official estimates for 1992. Q Gross. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. ‡ Offered to holders of ordinary shares as a "rights". † Introduction. ¶ Placing price. †† Reintroduction. ♦ Unlisted securities market. ♦ Issued in connection with reorganisation, merger or takeover. pm Price at a premium.

TRADITIONAL OPTIONS

- First Dealings Feb. 18
- Last Dealings March 1
- Last Declarations May 30
- For settlement June 10

For rate indications see end of London Share Service

Calls in ADT, Berisford Intl., Braithwaite, Burton, Cannon Street Invs., Cooksons, Dares Ests., Ford Sellar Morris Props., Walter Lawrence, Queens Moat Houses, Racal Elects., Sale Tilney, Stakis, Tootal, Trafalgar House, Unitech and Wickes. Puts in Berisford Intl., Blenheim Exhibitions and Sedgwick.

ECONOMIC DIARY

TODAY: Special session in London of the *Commonwealth* foreign ministers' committee on southern Africa to discuss developments in South Africa. Dr Zhelyu Zhelev, President of Bulgaria, arrives for official six-day visit to UK.

TOMORROW: Department for National Savings publishes results for January.

MONDAY: Confederation of British Industry/Financial Times publishes February survey of distributive trades. January figures for public sector borrowing requirement from the Treasury. Central Statistical Office publishes January provisional figures for retail sales. European Parliament session opens in Strasbourg (until February 22). Financial Times two-day European insurance forum opens in London. Blue Arrow fraud trial continues. Supreme Soviet (parliament) opens new session, Moscow. Mr John Patten, Home Office minister, launches arson information bureau.

TUESDAY: EC foreign ministers meet informally to discuss post-Gulf War plans, Luxembourg. CBI conference on water efficiency. Phillips auction fine art and antiques belonging to Mr Asil Nadir. CBI conference on water and effluent management.

WEDNESDAY: London and Scottish banks January monthly statement. Bank of England publishes January provisional estimates of monetary aggregates. Fourth quarter preliminary figures for gross domestic product (output-based) from the CSO. December provisional figures for new construction orders from Department of the Environment. CSO publishes fourth quarter provisional figures for manufacturers and distributors stocks. Start of Liberian peace conference, Monrovia.

THURSDAY: Rural Development Commission statement on survey of rural housing. Presentation of Women of 90s Enterprise awards at Institute of Directors.

FRIDAY: December figures for engineering sales and orders at current and constant prices published in Business Bulletin. January cyclical indicators for the UK economy from the CSO. Price announced for National Power/PowerGen shares.

FT-ACTUARIES SHARE INDICES

	EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Friday February 15 1991 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%)	Est. P/E Ratio (Net)	xd adj. 1991 to date	Thu Feb 14 Index No.	Wed Feb 13 Index No.	Tue Feb 12 Index No.	Year ago (approx) Index No.	1990/91 High	1990/91 Low	Since Compilation High	Since Compilation Low
1	CAPITAL GOODS (187)	791.68	+0.6	13.51	6.06	9.02	0.67	786.83	770.35	760.13	869.48	960.80 4/1/90	658.43 24/9/90	1038.07 16/7/87	50.71 13/12/74
2	Building Materials (25)	1091.47	+0.9	13.15	5.56	9.36	0.45	1081.30	1066.80	1051.57	1059.06	1188.21 3/1/90	812.99 20/9/90	1381.08 16/7/87	44.27 11/12/74
3	Contracting, Construction (31)	1207.85	+1.5	14.87	6.52	8.72	1.46	1189.72	1187.66	1174.82	1458.50	1621.44 4/1/90	993.11 24/9/90	1951.50 16/7/87	71.48 2/12/74
4	Electricals (10)	2155.96	+0.4	12.99	6.19	9.42	0.80	2148.39	2082.70	2073.63	2465.83	2751.15 4/1/90	1762.48 2/11/90	3040.80 8/9/89	84.71 25/6/62
5	Electronics (25)	1720.92	+0.4	9.27	5.20	14.39	1.10	1714.07	1677.45	1644.17	1915.82	2044.72 9/1/90	1478.08 16/1/91	2308.22 19/5/89	1229.01 8/10/85
6	Engineering-Aerospace (8)	406.85	-0.6	16.49	6.00	7.28	0.86	409.15	398.95	400.99	428.45	502.42 13/6/90	380.48 16/1/91	502.42 13/6/90	380.48 16/1/91
7	Engineering-General (47)	393.86	+1.2	14.83	6.52	8.12	1.15	389.13	376.19	372.40	466.05	505.10 15/6/90	339.57 23/1/91	505.10 15/6/90	339.57 23/1/91
8	Metals and Metal Forming (8)	441.41	+0.3	20.67	7.80	5.97	0.00	439.89	427.10	420.87	474.25	515.57 4/1/90	381.44 16/1/91	596.67 9/10/87	49.65 6/1/75
9	Motors (13)	316.96	+0.9	15.71	7.59	7.41	0.00	314.02	303.27	297.45	367.42	403.90 4/1/90	260.41 24/9/90	411.42 13/10/87	19.91 6/1/75
10	Other Industrial Materials (20)	1395.48	+0.3	12.08	5.82	9.57	0.71	1391.67	1363.04	1341.06	1564.38	1774.64 3/1/90	1103.89 1/11/90	1881.53 18/8/89	277.55 15/1/81
21	CONSUMER GROUP (182)	1315.76	+0.2	9.21	3.96	13.48	2.72	1313.73	1296.21	1287.72	1270.34	1357.03 3/1/90	1121.42 24/9/90	1417.92 4/9/89	61.41 13/12/74
22	Brewers and Distillers (22)	1663.17	-0.3	9.78	3.74	12.61	7.47	1668.71	1646.21	1630.77	1477.25	1668.71 14/2/91	1369.31 6/3/90	1668.71 14/2/91	69.47 13/12/74
25	Food Manufacturing (20)	1115.08	+0.4	10.31	4.31	11.94	1.66	1110.23	1095.18	1089.51	1098.50	1184.41 3/1/90	959.38 24/9/90	1220.42 4/9/89	59.67 11/12/74
26	Food Retailing (16)	2467.62	-0.3	8.58	3.14	15.25	3.15	2473.91	2458.34	2463.50	2333.10	2617.14 27/7/90	2188.04 30/4/90	2722.30 5/9/89	54.25 11/12/74
27	Health and Household (21)	2828.92	+0.2	6.34	2.71	18.70	0.47	2822.59	2789.02	2777.95	2488.54	2828.92 15/2/91	2166.10 24/8/90	2828.92 15/2/91	175.38 28/5/80
29	*Hotels and Leisure (22)*	1241.09	+0.7	11.13	5.52	10.63	0.86	1232.42	1191.55	1177.16	1582.91	1717.22 9/1/90	1066.91 25/1/91	1845.77 8/9/89	54.83 9/1/75
30	Media (25)	1289.11	+0.9	11.33	5.34	11.14	7.81	1277.88	1250.96	1252.56	0.00	1289.11 15/2/91	1166.91 16/1/91	1289.11 15/2/91	1166.91 16/1/91
31	Packaging & Paper (11)	583.02	+0.8	9.02	5.89	13.58	0.30	578.55	557.90	551.57	575.90	625.01 17/7/90	470.91 28/9/90	739.48 16/7/87	43.46 6/1/75
34	Stores (34)	837.43	.....	10.14	4.36	12.83	1.67	837.75	838.00	826.45	803.60	866.32 13/6/90	690.43 27/4/90	1160.58 29/7/87	52.63 6/1/75
35	Textiles (11)	453.86	.....	12.66	7.75	10.13	0.50	453.65	432.23	420.51	511.32	554.37 4/1/90	388.59 24/9/90	914.52 2/10/87	62.66 11/12/74
40	OTHER GROUPS (111)	1103.78	+0.7	11.68	5.42	10.35	2.51	1096.00	1078.68	1075.83	1186.03	1233.52 3/1/90	932.53 24/9/90	1233.52 3/1/90	58.63 6/1/75
41	Business Services (12)	984.71	.....	12.70	5.48	9.57	0.00	984.58	968.83	960.10	0.00	1004.01 9/1/91	892.28 1/2/91	1004.01 9/1/91	892.28 1/2/91
42	Chemicals (21)	1179.34	+0.5	12.06	6.05	9.79	0.63	1172.98	1154.43	1150.68	1195.03	1335.87 14/6/90	940.57 24/9/90	1545.46 5/10/87	71.20 1/12/74
43	Conglomerates (11)	1429.97	+0.3	12.01	7.21	9.93	6.83	1425.43	1414.06	1409.60	1622.32	1722.31 14/6/90	1200.88 12/11/90	1819.46 11/8/89	975.19 10/11/87
44	Transport (15)	2000.94	+1.8	13.04	5.08	9.45	1.78	1965.67	1936.32	1910.34	2258.58	2458.00 4/1/90	1730.87 23/1/91	2554.69 12/7/89	90.80 29/6/62
45	Electricity (12)	1147.72	+1.0	10.74	6.13	11.23	0.00	1136.43	1116.92	1128.33	0.00	1147.72 15/2/91	994.96 7/1/91	1147.72 15/2/91	994.96 7/1/91
46	Telephone Networks (3)	1239.53	+0.4	10.79	4.08	12.05	0.00	1234.59	1207.54	1208.67	1257.61	1290.72 3/1/90	1017.41 26/9/90	1290.72 3/1/90	517.92 30/11/84
47	Water (10)	2472.05	+0.1	13.72	5.67	8.15	39.69	2469.08	2431.15	2425.58	2079.08	2474.59 5/2/91	1820.20 1/5/90	2474.59 5/2/91	1820.20 1/5/90
48	*Miscellaneous (27)*	1750.55	+1.5	10.77	5.18	10.81	1.22	1725.02	1702.48	1693.91	1881.10	1981.35 3/1/90	1445.37 24/9/90	2087.06 11/7/89	60.39 6/7/75
49	INDUSTRIAL GROUP (480)	1124.06	+0.4	10.88	4.86	11.25	2.11	1119.30	1101.74	1094.37	1156.68	1234.94 3/1/90	950.55 24/9/90	1273.71 5/9/89	59.01 13/12/74
51	Oil & Gas (20)	2229.11	-0.5	11.62	5.87	11.27	7.42	2241.37	2239.17	2268.68	2458.52	2528.70 3/8/90	2101.45 21/1/91	2528.70 3/8/90	87.23 29/5/62
59	500 SHARE INDEX (500)	1217.33	+0.3	10.98	5.00	11.25	2.52	1213.77	1197.15	1192.42	1264.48	1338.65 3/1/90	1068.52 28/9/90	1369.88 16/7/87	63.49 13/12/74
61	FINANCIAL GROUP (98)	766.00	-0.3	-	6.22	-	1.00	768.22	761.34	762.26	830.11	869.67 3/1/90	621.68 24/9/90	896.67 13/10/87	55.88 13/12/74
62	Banks (9)	821.96	-1.4	19.38	7.07	6.75	1.61	833.65	830.77	831.53	874.64	918.30 2/2/90	650.43 24/9/90	918.30 2/2/90	62.44 12/12/74
65	Insurance (Life) (7)	1369.26	+0.8	-	5.61	-	0.00	1358.74	1353.92	1377.12	1366.68	1519.19 29/6/90	1220.17 1/5/90	1519.19 29/6/90	44.88 2/1/75
66	Insurance (Composite) (6)	674.83	+0.8	-	6.34	-	0.00	669.59	655.32	658.68	707.94	763.09 2/1/90	526.46 24/9/90	768.11 29/12/89	43.96 13/12/74
67	Insurance (Brokers) (8)	1059.47	+1.7	6.98	6.08	18.77	2.15	1042.07	1029.39	1031.54	1109.91	1194.74 4/1/90	757.70 24/9/90	1399.56 17/7/87	65.86 16/12/74
68	Merchant Banks (7)	381.23	-0.3	-	5.35	-	0.00	382.53	382.31	383.70	501.22	502.02 8/2/90	319.38 24/9/90	547.59 12/10/87	31.21 7/1/75
69	Property (41)	1013.97	-0.2	6.55	4.64	20.93	0.90	1016.33	1003.24	990.75	1162.34	1242.53 4/1/90	834.72 24/9/90	1398.87 5/9/89	56.01 20/4/65
70	Other Financial (20)	262.66	+0.3	9.56	6.81	13.21	1.60	261.82	258.71	257.03	331.57	350.59 4/1/90	233.78 1/10/90	603.48 16/7/87	33.29 17/12/74
71	Investment Trusts (69)	1084.04	+0.8	-	3.73	-	1.24	1075.70	1058.00	1046.68	1220.23	1323.81 4/1/90	947.19 16/1/91	1323.81 4/1/90	71.12 13/12/74
99	ALL-SHARE INDEX (667)	1106.06	+0.2	-	5.13	-	2.14	1103.60	1089.16	1085.46	1423.65	1226.83 3/1/90	962.09 24/9/90	1238.57 16/7/87	61.92 13/12/74

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	Feb 14	Feb 13	Feb 12	Feb 11	Feb 8	Year ago	1990/91 High	1990/91 Low	Since Compilation High	Since Compilation Low
FT-SE 100 SHARE INDEX‡	2296.9	+2.5	2315.8	2282.6	2294.4	2267.8	2264.5	2279.0	2245.2	2325.9	2463.7 3/1/90	1990.2 28/9/90	2463.7 3/1/90	986.9 23/7/84

FIXED INTEREST

	PRICE INDICES	Fri Feb 15	Day's change %	Thu Feb 14	Accrued interest	xd adj. 1991 to date
	British Government					
1	Up to 5 years (28)	120.61	+0.10	120.49	1.64	1.65
2	*5-15 years (31)*	*132.79*	*-0.12*	*132.95*	*2.04*	*1.94*
3	Over 15 years (8)	142.27	-0.25	142.62	3.22	0.44
4	Irredeemables (6)	156.23	-0.35	156.77	3.17	0.00
5	All stocks (73)	131.34	-0.06	131.42	2.04	1.72
	Index-Linked					
6	*Up to 5 years (2)*	*157.93*	*-0.02*	*157.96*	*0.13*	*1.03*
7	Over 5 years (10)	145.21	+0.21	145.09	0.40	0.89
8	All stocks (12)	146.05	+0.19	145.94	0.38	0.90
9	Debs & Loans (54)	109.91	-0.04	109.95	2.69	0.68

	AVERAGE GROSS REDEMPTION YIELDS		Fri Feb 15	Thu Feb 14	Year ago (approx.)	1990/91 High	1990/91 Low
	British Government						
1	Low	5 years	9.35	9.34	10.78	12.36 2/5/90	9.34 14/2/91
2	Coupons	15 years	9.51	9.48	10.49	11.94 30/4/90	9.48 14/2/91
3	(0%-7¾%)	25 years	9.63	9.58	10.39	11.85 30/4/90	9.52 2/1/90
4	Medium	5 years	10.12	10.11	11.98	13.58 2/5/90	10.11 14/2/91
5	Coupons	15 years	9.89	9.84	10.87	12.45 27/4/90	9.84 14/2/91
6	(8%-10¾%)	25 years	9.80	9.75	10.51	11.98 27/4/90	9.65 2/1/90
7	High	5 years	10.28	10.27	12.11	13.67 2/5/90	10.27 14/2/91
8	Coupons	15 years	10.04	9.98	11.06	12.76 27/4/90	9.98 14/2/91
9	(11%-)	25 years	9.91	9.85	10.62	12.27 27/4/90	9.78 2/1/90
10	Irredeemables	†	9.88	9.83	10.44	11.83 30/4/90	9.66 4/1/90
	Index-Linked						
11	Inflation rate 5%	Up to 5yrs.	3.73	3.78	4.58	5.48 20/7/90	3.46 5/10/90
12	Inflation rate 5%	Over 5 yrs.	4.10	4.12	3.96	4.43 17/10/90	3.60 4/1/90
13	Inflation rate 10%	Up to 5 yrs.	2.23	2.47	3.59	4.37 9/7/90	2.17 18/1/91
14	Inflation rate 10%	Over 5 yrs.	3.90	3.95	3.78	4.23 17/10/90	3.43 4/1/90
15	Debs &	5 years	11.98	12.03	13.51	16.70 30/4/90	11.98 15/2/91
16	Loans	15 years	11.72	11.74	12.82	14.48 26/4/90	11.72 15/2/91
17		25 years	11.48	11.48	12.81	13.89 4/5/90	11.48 14/2/91

‡Opening index 2282.6; 9 am 2293.0; 10 am 2296.9; 11 am 2293.5; Noon 2303.8; 1 pm 2296.4; 2 pm 2297.3; 2.30 pm 2299.5; 3 pm 2295.6; 4.10 pm 2295.6; (a) 11.43am (b) 8.30am

Equity section or group	Base date	Base value	Equity section or group	Base date	Base value	Equity section or group	Base date	Base value
Business Services	31/12/90	999.65	Telephone Networks	30/11/84	517.92	Food Manufacturing	29/12/67	114.13
Electricity	31/12/90	999.65	Electronics	30/12/83	1646.65	Food Retailing	29/12/67	114.13
Media	*31/12/90*	*1228.68*	*Other Industrial Materials*	*31/12/80*	*287.41*	*Insurance Brokers*	*29/12/67*	*96.67*
Engineering - Aerospace	29/12/89	486.00	Health/Household Products	30/12/77	261.77	All Other	10/4/62	100.00
Engineering - General	29/12/89	486.00	Other Groups	31/12/74	63.75	British Government	31/12/75	100.00
Water	29/12/89	1968.45	Industrial Group	31/12/70	128.20	Do. Index-linked	30/4/82	100.00
Conglomerates	31/12/86	1114.07	Other Financial	31/12/70	128.06	Debs & Loans	31/12/77	100.00

† Flat yield. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL. The FT-ACTUARIES SHARE INDICES SERVICE includes details of the information used in the construction of these indices. These are available by subscription from FINSTAT, 071-925 2323.

LONDON TRADED OPTIONS

IRAQ'S proposals for an end to hostilities in the Gulf led to widespread confusion in the derivative markets yesterday as investors tried to weigh up the likely implications for UK equities.

Stock index futures had one of their busiest sessions so far this year as a two-way tug developed in the market. The initial reaction to Baghdad's peace plan was to send share futures sharply higher.

But doubts quickly set in about whether the proposals would lead to a settlement of the conflict. The *futures market rapidly gave up its* gains and within an hour was showing only modest gains on the day.

Opinion among some of the larger institutions appeared to be divided, although the majority appeared to believe the market would head lower. However, there were many investors prepared to accept a bullish outlook, particularly with oil prices now weak.

This division was also reflected in the traded options market, where there were sellers of stock and index options. But there were buyers of index calls, which indicated a more optimistic outlook.

The March FT-SE 100 Index contract finished at 2,328, up 9 points on the day. March's premium to the cash index ended at 32 points, against 26 in the previous session and fair value of 9. In after hours dealing, the market edged lower closing at 2,323.

The traded option market was slightly less active. Activity was weighted heavily towards calls, as investors tried to estimate the market's direction.

Allied-Lyons was the most active stock following the placing of Olympia & York's 81m stake in the company. The April 500 put series was the busiest. BP traded 1,856, British Airways 1,760 and Rolls-Royce 1,634.

Option		Calls Apr	Calls Jul	Calls Oct	Puts Apr	Puts Jul	Puts Oct
Alld Lyons (*502)	460	59	66	77	6½	15	18
	500	29	38	53	15	30	35
	550	8	19	29	51	60	65
ASDA (*128)	120	14	20	22	3½	5½	7½
	130	7½	14	17	7½	9½	11
	140	3½	8½	-	14	16	-
Brit. Airways (*152)	140	19	21	24	4½	10	11
	160	7½	10	15	13	20	21
	180	3½	-	-	30	-	-
SmKl Beecham A (*676)	600	87	104	122	4	12	16
	650	50	70	90	17	27	32
	700	22	44	63	42	50	55
Boots (*340)	300	49	55	61	2	6	8
	330	26	33	42	8	16	18
	360	9½	17	26	25	30	32
B.P. (*307)	280	31	39	46	4	8½	11
	300	17	26	33	11	16	20
	330	5	14	20	32	33	36
British Steel (*128)	120	12½	15½	16½	2½	5½	7½
	130	6	9½	11	6½	11	13
	140	2¾	-	-	14	-	-
Bass (*983)	900	110	132	155	8	17	24
	950	70	97	127	19	32	40
	1000	39	70	92	40	54	63
C & Wire (*511)	500	38	51	70	17	27	32
	550	13	-	-	47	-	-
	600	5	-	-	93	-	-
Courtaulds (*360)	330	42	47	60	5	11	13
	360	20	28	40	15	22	24
	390	9	-	-	34	-	-
Com. Union (*510)	460	55	67	72	7	12	16
	500	22	38	48	22	25	30
	550	5	-	-	57	-	-
GKN (*360)	330	35	43	48	10	16	22
	360	14	30	32	25	29	34
	390	6	-	-	50	-	-
Grand Met. (*737)	650	105	126	142	3½	10	13
	700	64	88	105	12	21	25
	750	32	55	70	34	41	47
I.C.I. (*1000)	950	65	92	105	32	42	57
	1000	32	67	78	60	65	80
	1050	15	-	-	95	-	-
Kingfisher (*403)	360	56	62	97	4	10	12
	390	32	42	48	11	18	22
	420	14	23	33	26	32	36
Ladbroke (*257)	240	28	33	41	7	13	17
	260	15	22	-	15	25	-
	280	8	14	-	30	36	-
Land Secur (*558)	500	73	82	91	3	9	11
	550	34	43	55	13	26	30
	600	10	18	26	46	55	56
M & S (*235)	220	25	29	36	3½	8	10
	240	11½	17	24	12	17	19
STC (*323)	300	-	-	-	¼	¼	-
	330	¼	-	-	13	-	-
Sainsbury (*333)	330	22	29	39	9½	16	19
	360	7½	14	23	28	32	36
Shell Trans. (*456)	420	38	55	65	8	13	17
	460	14	32	40	26	30	35
Storehouse (*111)	110	10	14	17	7	10	13
	120	5½	10	-	13	16	-
Trafalgar (*238)	220	30	32	42	8½	17	21
	240	15	21	31	17	26	32

Option		Calls Apr	Calls Jul	Calls Oct	Puts Apr	Puts Jul	Puts Oct
Utd. Biscuits (*358)	360	12	22	30	19	22	25
	390	3½	-	-	44	-	-
Unilever (*729)	700	45	62	83	19	27	33
	750	18	35	52	44	57	60
Ultramar (*318)	300	28	38	47	10	12	15
	330	12	24	30	23	27	30
Option		**Mar**	**May**	**Aug**	**Mar**	**May**	**Aug**
Elec. Pkg. (*£1885)	1850	110	150	-	50	75	-
	1900	85	130	-	85	95	-
Eastern Elec (*175)	160	18	24	27	2½	5	10
	180	6	12	15	10	13	20
Southern Elec (*178)	160	23	29	-	2½	5	-
	180	9	14	-	8	10	-
Option		**Feb**	**May**	**Aug**	**Feb**	**May**	**Aug**
Brit Aero (*566)	550	15	35	53	8	37	40
	600	1	14	33	47	60	67
BAA (*378)	360	19	42	48	3	10	18
	390	1½	23	31	18	23	32
BAT Inds (*661)	650	15	48	65	8	33	40
	700	1½	22	43	43	58	68
BTR (*367)	360	11	23	27	4	19	23
	390	1	12	-	23	38	-
Brit. Telecom (*303)	300	6	23	29	2½	10	15
	330	¼	-	-	28	-	-
Cadbury Sch (*359)	330	30	36	48	1	7	11
	360	6	18	31	7	21	25
Guinness (*806)	800	16	50	73	7½	36	43
	850	1	-	-	45	-	-
GEC (*201)	200	3	15	17	3½	10	14½
	220	1	-	-	21	-	-
Hanson (*216)	200	16	26	30	¼	4	7
	220	2	13	18½	6½	11½	14½
LASMO (*355)	330	27	42	50	3	12	15
	360	5	20	33	12	27	30
Lucas Inds (*150)	140	11	18	24	2	7	9
	160	2	8½	14	12	18	20
P. & O. (*561)	550	15	36	48	6	32	35
	600	2½	14	-	44	65	-
Pilkington (*189)	180	9	19	24	2½	9	15
	200	1½	11	16	13	19	25
Prudential (*215)	200	16	22	28	1	6	9
	220	1½	9½	17	6	15	19
Racal (*191)	180	12	24	29	1	7½	11
	200	2½	13	19	11	17	21
R.T.Z. (*494)	460	36	46	61	1½	18	24
	550	6	26	39	14	40	45
Scot. & New (*387)	360	28	46	55	1½	8	13
	390	4½	26	35	8	20	26
Tesco (*242)	233	12	18	27	2½	7½	8
	253	1	8	15	14	19	21
Thames Water (*313)	300	14	32	37	2	8	14
	330	3	13	19	20	24	30
Water Hldg Pkg (*£3040)	2350	700	-	-	10	-	-
	2400	650	-	-	10	-	-
Option		**Feb**	**Apr**	**Jul**	**Feb**	**Apr**	**Jul**
Fisons (*415)	390	26	36	52	1½	10	13
	420	5	17	31	12	23	26
Option		**Mar**	**Jun**	**Sep**	**Mar**	**Jun**	**Sep**
Abbey Nat. (*254)	240	17	23	28	5	9	11
	260	6	13	19	18	19	21

Option		Calls Mar	Calls Jun	Calls Sep	Puts Mar	Puts Jun	Puts Sep
Amstrad (*68)	60	10	13	17	2	4½	7
	70	3	6½	11	6	9	11
Barclays (*388)	360	36	42	52	10	16	22
	390	14	24	33	28	30	40
Blue Circle (*248)	240	17	22	31	7	15	20
	260	7	13	21	18	27	31
British Gas (*240)	240	10	20	22	7½	11	15
	260	3	9	12	22	23	27
*Dixons (*164)*	*160*	*9*	*21*	*23*	*5*	*9*	*12*
	180	3	10	14	18	20	22
Glaxo (*958)	900	69	105	135	13	25	35
	950	34	73	103	33	45	56
Hawker Sidd. (*504)	500	30	45	55	20	38	46
	550	12	-	-	44	-	-
Hillsdown (*210)	200	18	28	34	8	17	22
	220	9	18	267	20	28	32
Lonrho (*209)	200	16	26	27	5	8	13
	220	5	15	17	16	19	22
Midland Bk (*173)	160	18	25	28	6½	10	15
	180	7½	12	16	19	22	28
Reuters (*788)	750	63	95	118	25	53	63
	800	34	70	90	50	77	90
R. Royce (*153)	140	17	19	23	3	5½	7½
	160	5½	9	12½	10	17	18
Sears (*93)	90	6	10	12	4	7	9
	100	2	-	-	10	-	-
THF (*254)	240	19	24	35	4	11	13
	260	7	16	22	14	22	25
Thorn EMI (*665)	650	37	64	70	12	22	34
	700	12	33	41	40	43	60
TSB (*149)	140	12	18	20	2½	6	8
	160	3	7½	11	14	16	17
Vaal Reefs (*$54)	50	9	13	15	4	6½	10
	60	4	8	9	9½	14	12
Wellcome (*498)	460	50	72	87	8	18	22
	500	23	47	63	20	33	37

EURO FT-SE INDEX (*2296)

	2025	2075	2125	2175	2225	2275	2325	2375
CALLS								
Feb	283	233	184	135	90	50	20	7
Mar	302	254	207	164	123	86	54	33
Apr	317	-	227	-	146	-	79	-
Jun	343	-	258	-	183	-	118	-
Sep	382	-	305	-	232	-	170	-
Dec	410	-	337	-	270	-	207	-
PUTS								
Feb	½	1	2	4	8	17	40	75
Mar	4	6	12	15	22	37	55	82
Apr	10	-	17	-	31	-	65	-
Jun	18	-	30	-	50	-	80	-
Sep	28	-	44	-	65	-	95	-
Dec	37	-	52	-	75	-	103	-

FT-SE INDEX (*2296)

	2000	2050	2100	2150	2200	2250	2300	2350
CALLS								
Feb	309	259	210	160	112	69	31	11
Mar	327	278	232	187	143	105	72	44
Apr	343	300	253	210	168	129	97	68
May	355	310	265	223	184	148	115	88
Jun †	365	-	278	-	200	-	135	-
Dec †	417	-	365	-	277	-	215	-
PUTS								
Feb	½	1½	2	2½	4	9	25	58
Mar	4	5	8	12	18	29	47	75
Apr	8	12	15	22	30	42	60	86
May	13	17	23	30	40	52	72	95
Jun †	17	-	27	-	47	-	80	-
Dec †	28	-	45	-	70	-	110	-

February 15 Total Contracts 33,853
Calls 24,019 Puts 9,834
FT-SE Index Calls 4,688 Puts 2,708
Euro FT-SE Calls 707 Puts 1,160
*Underlying security price. † Long dated expiry mths

INTERNATIONAL COMPANIES AND FINANCE

Creditors of Bond Corp may receive 25 cents in dollar

By Kevin Brown in Sydney

CREDITORS of Bond Corporation Holdings, Mr Alan Bond's crashed master company, could receive between 20 and 25 cents in the dollar under a proposed debt for equity swap, the company said yesterday.

Mr Kim McGrath, the executive director installed three months ago by Bond Corp's European bondholders, said returns would be made over a four-year period up to the end of 1995.

The proposed return is higher than previous estimates, which ranged between 5 and 20 per cent. However, it depends on completion of a restructuring being drawn up by the group and its creditors.

"We are still doing computer simulations, but these are target figures which I hope we will be able to return," Mr McGrath said.

Bond Corp moved nearer to finalising the scheme of arrangement yesterday when the Western Australia supreme court, which must give its approval, postponed a scheduled hearing to allow further negotiations to take place.

Bond Corp sought the delay after failing to reach agreement on the scheme of arrangement with Australian Consolidated Investments (ACIL), a major creditor, until too late to prepare a detailed submission to the court.

The agreement with ACIL, formerly Bell Resources, was crucial because the company had threatened to seek a court order putting Bond Corp into liquidation after the group failed to repay a A$433m (US$340.9m) debt.

Bond Corp said ACIL had agreed to reduce its security over group assets to A$115m, and to participate in the scheme of arrangement as an unsecured creditor for A$300m.

ACIL will also purchase A$53m of secured debt from Hongkong Bank, and provide several million dollars of working capital to Bond Corp to help cover its legal expenses in various court actions.

As part of the agreement, The Bell Group, an independently managed subsidiary of Bond Corp, will place its 40 per cent holding in ACIL with "acceptable" buyers, reducing the Bond group's 48 per cent stake to 8 per cent.

The effect of the deal will be to remove ACIL from the Bond group, giving it greater freedom to recapitalise. ACIL is also expected to emerge with a large shareholding in Bell Group, which owns the West Australian newspaper and other media interests.

Mr Geoff Hill, ACIL chairman, said the company had retained the right to put Bond Corp into liquidation if its agreement with the group or the wider scheme of arrangement for Bond Corp failed to proceed. Both agreements are subject to approval of the courts, regulatory authorities and Bond Corp's shareholders and creditors. Mr McGrath said creditors were likely to agree to the deal with ACIL because it increased the prospects of success for the scheme of arrangement.

Bond Corp said it hoped to have final approval from creditors and shareholders for the scheme of arrangement by April 30. The scheme provides for shareholders and creditors to receive a mixture of ordinary and preference shares, depending on the security of their investment.

Maxwell sells TF1 stake

By George Graham in Paris

PERGAMON Media Trust, a holding company controlled by Mr Robert Maxwell, yesterday revealed it had sold its 10 per cent stake in TF1, the leading French television station.

The shares were bought by Goldman Sachs, the US investment bank, apparently for placing with other investors.

But TF1 last night described the deal as "totally illegal", since Mr Maxwell had not respected a protocol signed by the channel's main shareholders. This protocol obliges any major shareholder who wants to sell his stake to give fellow shareholders three months to offer for the shares. Mr Maxwell only notified Bouygues, the controlling shareholder with 25 per cent, on January 25, TF1 said.

Mr Maxwell told the French broadcasting authority last week that he wanted to sell his shares, but had in fact already sold them three days earlier.

The 10 per cent stake cost the Maxwell group FFr600m ($120m) when it was acquired four years ago during the privatisation of the television station. At FFr267.50 a share, the market price on February 4 when the deal was done, it would have fetched just FFr562m, 40 per cent below its 1989 peak of FFr941m.

Mr Maxwell still owns 2 per cent of TF1 through his French offshoot, Maxwell Media (France).

Atlas Copco tumbles 17% to SKr1.27bn

By John Burton in Stockholm

ATLAS COPCO, the Swedish mining, compressor and industrial equipment manufacturer, yesterday reported a 17 per cent fall in profits after financial items to SKr1.27bn ($231.7m) for 1990, while sales rose 6 per cent to SKr15.9bn.

The result failed to fulfil the company's earlier prediction that earnings would equal last year's figure of SKr1.5bn. It proposed an unchanged dividend of SKr8 per share.

The profit downturn coincides with the planned retirement of Mr Tom Wachtmeister, the Atlas Copco president since 1975. He will be succeeded by Mr Michael Treschow, head of the industrial technique division.

Atlas Copco said the results were affected by an unexpected decline in orders and sales during the fourth quarter, when order bookings are normally substantial.

Earnings for the fourth quarter dropped by 67 per cent to SKr169m, with the bulk of SKr194m in total restructuring costs being charged against earnings during this period. The order backlog for the year fell 2 per cent to SKr2.82bn.

The profit drop was confined to the construction and mining technique (CMT) group, with operating income tumbling by 99 per cent from SKr441m to SKr5m as sales slipped by 3 per cent to SKr4.8bn. The CMT president, Mr Magnus Unger, resigned earlier this week.

Severe price competition for CMT division products led to slim profit margins. Restructuring costs of SKr107m also hurt the division's earnings. The company warned more rationalisation measures would be necessary.

Sale of Eastern assets approved

THE bankruptcy courts yesterday approved the sale of 67 take-off slots at Washington National Airport, previously owned by Eastern Airlines, to Northwest Airlines for $35.5m, writes Nikki Tait.

Judge Burton Lifland also gave a green light to the purchase by Delta Air Lines of nine remaining Eastern slots.

Eastern grounded its fleet after attempting to reorganise under Chapter 11 bankruptcy protection. It then put its assets up for auction.

The top bidder for the Washington slots was United Airlines, the Chicago-based carrier, but the Justice Department objected on anti-trust grounds. Northwest, which had offered $35.25m, then matched United's offer.

GM takes the high road in Europe

Kevin Done on the financial performance of the US vehicle makers

The financial performance of General Motors and Ford, the world's two biggest vehicle makers, diverged sharply in Europe last year with GM achieving record earnings, while Ford profits plunged by 79.6 per cent.

The net income of Ford's European operations fell to only $263m from $1.29bn in 1989 and a record $1.56bn in 1988, its second worst result in ten years.

GM increased its group net profits in Europe last year by 4.6 per cent to a record $1.92bn from $1.83bn in 1989 and $1.78bn in 1988.

GM achieved record European profits despite its share of the SKr4.64bn ($849m) losses suffered by Saab, the Swedish car maker, where the US group holds 50 per cent of the equity and management control.

The $1.9bn profits of its European operations have taken on a huge significance for GM, the world's leading vehicle maker, which announced on Thursday a net loss worldwide of $1.99bn and a net loss on its US operations alone of $4.57bn (including a $2.1bn provision for plant closures and restructuring).

The net profit of Ford's European automotive operations alone fell by 87.9 per cent to $145m from $1.19bn a year earlier, while net income from financial services in Europe rose by 19.2 per cent to $118m from $99m.

Ford blamed the sharp deterioration in its financial performance in part on the impact of industrial conflicts at its UK and Belgian plants. Labour disputes in the UK in the first quarter of last year – most importantly at its Halewood, Merseyside car assembly plant – cut pre-tax profits by $335m, while the conflict in the second quarter at its Genk plant in Belgium cut pre-tax earnings by $225m.

Ford's European profits have also been hit by the rising losses suffered by Jaguar, the UK luxury car maker it took over at the end of 1989 for £1.38bn ($273.2bn), as well as by the financing costs for the acquisition.

At the same time, higher product development costs, including the launch of the new generation Ford Escort/Orion range last autumn, have also added to its financial decline.

The Escort/Orion series, Ford's best selling car range in Europe, represents 40 per cent of its total sales.

The new cars have been poorly received, however, and Ford failed to meet its initial production targets. It has been forced to make early engineering modifications and to improve equipment levels.

Importantly, its European profits have also plummeted in the face of falling sales volumes, in particular in the UK where it is the market leader. The UK, Ford's biggest single market, was one of the weakest markets in Europe last year and as sales fell it has faced steeply rising marketing costs.

Its UK car sales dropped by 16.7 per cent last year to 507,260, while the overall UK market declined by 12.7 per cent. Ford's UK market share dropped to 25.3 per cent from 26.5 per cent a year earlier.

By contrast GM (Vauxhall in the UK and Opel in continental Europe) has its major strength in Germany, which was the strongest market in Europe last year. GM holds 17.2 per cent of the German car market compared with Ford's 9.8 per cent.

Overall GM overtook Ford in the western European car market last year for the first time, to move into fourth place among the big six volume car makers behind the Volkswagen group of Germany, Fiat of Italy and Peugeot of France.

According to provisional figures from Automotive Industry Data, the UK automotive analysts, the GM group increased its share of western European new car sales (in 17 markets) to 11.8 per cent from 11.5 per cent a year earlier, while the Ford group's share fell to 11.6 per cent from 11.8 per cent.

The Ford group's new car sales (including Jaguar) fell by 3.2 per cent to 1,534,000 according to AID, while the GM group's car sales (including Saab) rose by one per cent to 1,561,000.

Ford' total vehicle production (including light commercial vehicles) in Europe fell by 4.3 per cent to 1.776m from 1.855m a year earlier.

GM claimed its Opel/Vauxhall marques achieved the highest growth rate of all the volume car makers in Europe last year (including eastern Germany) with an increase in sales of 5.2 per cent to 1.545m.

According to Mr Robert Eaton, GM Europe president, demand for Opel/Vauxhall cars continued to exceed production capacity last year.

In strong contrast to Ford which has surplus capacity at its existing plants in Europe, GM is increasing its European vehicle assembly capacity by around 25 per cent to more than 2m a year by the mid-1990s including the establishment of assembly plants in eastern Europe.

It is building new plants in eastern Germany and in Hungary. It recently opened a small volume assembly plant in Turkey and is also taking over some of Saab's surplus capacity in Finland to assemble Opel/Vauxhall cars.

According to financial analysts the net profits of GM Europe's automotive operations alone were marginally lower last year at around $1.72bn compared with $1.74bn in 1989 as a result of the heavy Saab losses.

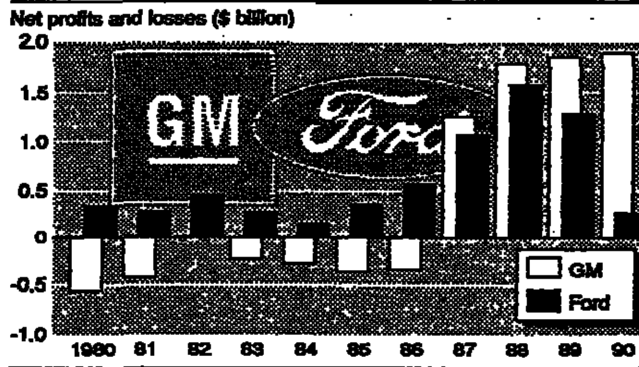
This was compensated for in part by the increasing business of EDS, GM's data processing subsidiary, in Europe.

GM's total turnover in Europe rose by 19.2 per cent to $24.44bn, while its European workforce rose by 5.1 per cent to 124,000.

The big six European volume car makers' financial fortunes differed widely last year with strong performances from Volkswagen of Germany, Peugeot of France and General Motors, while the profitability of Ford, Fiat of Italy and Renault of France has deteriorated sharply.

Ford and GM in Europe

Net profits and losses ($ billion)



General Motors said it has sold its New York City office building to a private property group, and as a result will record a one-time gain of about $600m in 1991, Reuters reports. The gain is likely be recorded in the first quarter.

The Fifth Avenue building was sold to Corporate Property Investors for $500m in January, following the group's decision to exercise an option to buy the tower.

Under the terms of a 1981 agreement, Corporate Property Investors lent GM $500m at a favourable 10 per cent annual interest rate. In return, the group was given the option to acquire the GM building in 1991 for $500m.

Volkswagen forecasts flat profits for year

By Andrew Fisher in Frankfurt

VOLKSWAGEN, the German car group, yesterday said it expected profits for 1990 to be around the same level as the previous year, repeating earlier statements that the quality of these earnings would be lower.

As adverse factors, it cited tougher competition, changes in currency values and the difficult economic situation in South America.

VW, now embarking on a heavy programme of capital spending concentrated on east Germany, Czechoslovakia, Spain and China, raised turnover last year by 4 per cent to DM68bn ($45bn).

The group has already announced a 19 per cent drop in pre-tax profits for the first nine months to DM1.7bn, with net income 2 per cent higher at DM621m. It said in December net profits would "probably" exceed DM1bn. In 1989, they rose by 33 per cent to DM1.04bn. Analysts have forecast a sharp drop in earnings per share for 1990.

For the first time, group vehicle deliveries to dealers exceeded 3m, with a 3 per cent rise to 3.03m units. In Europe, VW's main markets remained Italy, France, Spain and the UK. Stimulated by demand from east Germany, VW's domestic deliveries rose by 7 per cent to 916,000 vehicles, with Seat (the Spanish subsidiary) showing spectacular sales growth.

In South America, where VW is a partner with Ford Motor of the US in Autolatina, sales dropped in Brazil and Argentina. But VW's operation in Mexico, which still produces the Beetle model, achieved sharply higher sales.

Aritmos deal for Puma completed

ARITMOS, Sweden's leading sports equipment company, yesterday completed its takeover of Puma, the west German sporting goods concern, by increasing its equity stake to 72 per cent and assuming control over all voting rights, writes John Burton.

Aritmos claims the deal makes it the world's fourth largest sports shoe company with SKr5.5bn ($1bn) in sales. Aritmos also sells sports shoes under the Tretorn and Etonic trade names.

Malmo-based Aritmos acquired its initial stake of 49 per cent equity and voting rights in Puma last year from Cosa Lieberman Holding, a Swiss-run trading company, with an option to acquire its remaining shareholding this year.

Kvaerner soars to NKr1bn

KVAERNER, the Norwegian engineering, shipping and shipbuilding group, yesterday announced record 1990 pre-tax profits of NKr1.05bn ($183.8m), up NKr325m from the result achieved in 1989 when profits nearly doubled, writes Karen Fossli in Oslo.

The company expects to make a 1991 profit similar to last year's, despite current uncertainties in the world situation. The board proposed an increase in dividend payment to NKr2.75 a share, from NKr2.25 a share in 1989.

Group turnover rose by NKr4.08bn to NKr13.16bn while operating profits increased by NKr386m to NKr860m. Kvaerner said last year its order book rose NKr300m to NKr13.1bn and that taxes rose by NKr25m to NKr160m.

On a divisional breakdown, the pulp and paper processing division was the group's outstanding performer posting a rise in profits to NKr460m from NKr370m.

The shipping division followed, although profits slid by NKr93m to NKr342m.

Bow Valley plans job cuts

BOW VALLEY Industries, the Canadian oil and gas producer controlled by British Gas, is to cut its workforce by up to a third in response to the mediocre outlook for energy prices, writes Bernard Simon in Toronto.

The Calgary-based company almost doubled its earnings last year, due largely to the run-up in oil prices after Iraq's invasion of Kuwait. But the future is clouded by the company's expectation of low oil and gas prices for the next 3-5 years, and by the absence of any major new source of income until production from the East Brae field in the North Sea starts in 1993.

The company is trimming up to 150 people from its payroll.

Britgas bought its 51 per cent stake in Bow Valley in 1986 for C$516m (US$446m).

Net income last year was C$49.7m or 47 cents a share, up from C$25.7m or 17 cents in 1989. The average oil price received by the company jumped by almost a third. Revenues net of royalties rose to C$359.2m from C$291.2m.

WORLD COMMODITIES PRICES

WEEKLY PRICE CHANGES	Latest prices	Change on week	Year ago	High 1990/91	Low 1990/91
Gold per troy oz.	$364.45	-5.80	$417.75	$420.25	$345.75
Silver Per troy oz	193.30p	+0.35	315.65p	323.50p	192.95p
Aluminium 99.7% (cash)	$1508.0	+6.5	$1507	$2227.5	$1380.0
Copper Grade A (cash)	£1241.0	+26.5	£1435.0	£1796.0	£1172.5
Lead(cash)	£309.0	+10.5	£447	£790	£296
Nickel (cash)	$8855	+290	$7837.5	$11375	$8075
Zinc SHG (cash)	$1217.0	+39.5	$1450.5	$1869	$1167
Tin (cash)	$5580.0	+7.5	$8220	$7020	$5545
Cocoa Futures (May)	£661	+26	£636	£967	£622
Coffee Futures (May)	£534	+3	£620	£757	£528
Sugar (LDP Raw)	$211.8	-5.2	$358.0	$386.4	$209.0
Barley Futures (May)	£119.00	+2.45	£108.15	£120.45	£103.45
Wheat Futures (May)	£128.30	+1.30	£115.55	£128.30	£111.00
Cotton Outlook A Index	85.35c	+0.50	78.25c	92.70c	73.70c
Wool (64s Super)	365p	-36	548p	580p	365p
Oil (Brent Blend)	$17.25w	-1.875	$19.625	$39.175	$15.575

Per tonne unless otherwise stated. †Unquoted. p-pence/kg. c-cents lb w-April

London Markets

SPOT MARKETS

Crude oil (per barrel FOB)		+ or -
Dubai	$13.00-3.20t	-1.55
Brent Blend (dated)	$18.25-8.35	-2.00
Brent Blend (April)	$17.20-7.30	-1.675
W.T.I. (1 pm est)	$19.22-9.24t	-1.32

Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$230-235	-8.5
Gas Oil	$245-248	-29
Heavy Fuel Oil	$74-76	-3
Naphtha	$215-219	-12.5

Petroleum Argus Estimates

Other		+ or -
Gold (per troy oz)♣	$364.45	-3.80
Silver (per troy oz)♣	361.85c	+4.95
Platinum (per troy oz)	$390.5	+2.15
Palladium (per troy oz)	$86.25	-1.00
Aluminium (free market)	$1510	+5
Copper (US Producer)	114¾c	-¼
Lead (US Producer)	34c	
Nickel (free market)	408c	+8
Tin (Kuala Lumpur market)	14.63r	
Tin (New York)	258c	+1
Zinc (US Prime Western)	62c	
Cattle (live weight)†	110.22p	+0.50*
Sheep (dead weight)†	149.23p	+0.81*
Pigs (live weight)†	87.47p	+2.27*
London daily sugar (raw)	$211.8w	+2.3
London daily sugar (white)	$283.0w	+2.0
Tate and Lyle export price	£213.5	+1.5
Barley (English feed)	Unq.	
Maize (US No. 3 yellow)	£168.5	-0.5
Wheat (US Dark Northern)	£94.5	
Rubber (Mar)♥	47.25p	-0.75
Rubber (Apr)♥	48.75p	+0.25
Rubber (KL RSS No 1 Mar)	229.0m	
Coconut oil (Philippines)§	$330w	
Palm Oil (Malaysian)§	$310	-10
Copra (Philippines)§	$230t	+10
Soyabeans (US)	£136.5	
Cotton "A" index	85.35c	+0.15
Wooltops (64s Super)	365p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. q-Mar/Apr. t-Apr. w-Feb/ Mar z-Jan/Feb. x-Mar. †Meat Commission aver-

SUGAR – London FOX ($ per tonne)

Raw	Close	Previous	High/Low
Mar	185.00	186.00	187.60 183.80
May	187.80	188.00	189.00 186.00
Aug	192.60	192.40	192.80 189.80
Oct	191.80	191.40	192.20 190.60

White	Close	Previous	High/Low
May	288.5	288.0	290.8 285.0
Aug	291.4	293.0	293.3 288.0
Oct	266.4	268.5	267.8 264.0
Dec	261.9	264.0	263.3 260.5
Mar	265.4	268.0	268.0 264.0
May	268.4	272.0	269.0
Aug	273.4		273.0

Turnover: Raw 2118 (2988) lots of 50 tonnes. White 1625 (2374)
Paris- White (FFr per tonne): Mar 1465, May 1456, Aug 1483, Oct 1354.

CRUDE OIL – IPE $/barrel

	Latest	Previous	High/Low
Apr	17.30	18.79	18.70 16.30
May	16.85	18.10	18.00 16.00
Jun	16.50	17.58	17.45 16.00
IPE Index	18.88	20.20	

Turnover 12352 (21976)

GAS OIL – IPE $/tonne

	Latest	Previous	High/Low
Mar	191.00	211.25	207.00 170.00
Apr	165.75	178.50	177.50 155.00
May	155.50	165.25	163.00 147.00
Jun	153.50	164.75	161.00 153.00
Jul	155.00	164.00	161.00 155.00
Aug	159.00	165.00	160.00 159.00
Sep	160.00		160.00
Oct	160.00	168.00	161.50 160.00

Turnover 9108 (19550) lots of 100 tonnes

SPICES
Most spice markets are very dull, reports Man-Producten. This is due to holidays in the western countries and the Chinese new year. Cloves - shipment $1,750 fob, spot Europe $2,500. Nutmegs and mace no changes. Pimento steady due to underlying demand from eastern Europe, without activities. Ginger unchanged at relatively low levels. Cassia no demand, Indonesia,

COCOA – London FOX £/tonne

	Close	Previous	High/Low
Mar	625	610	625 611
May	661	647	663 647
Jul	690	677	691 677
Sep	716	702	718 702
Dec	744	735	748 736
Mar	770	761	773 763

Turnover: 5743 (4846) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Feb 14 842.70 (826.57) 10 day average for Feb 15 828.37 (827.72)

COFFEE – London FOX £/tonne

	Close	Previous	High/Low
Mar	521	524	529 517
May	534	537	543 530
Jul	552	551	556 546
Sep	568	571	574 565
Nov	583	587	583 579

Turnover:3180 (7454) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Feb 14: Comp. daily 72.20 (71.77). 15 day average 68.32 (68.14)

POTATOES – London FOX £/tonne

	Close	Previous	High/Low
Apr	125.4	126.0	125.5 124.5
May	146.5	147.0	146.5 146.1

Turnover 139 (104) lots of 40 tonnes.

SOYAMEAL – London FOX £/tonne

	Close	Previous	High/Low
Jun	109.50	109.50	109.50
Aug	111.50	113.00	111.50
Oct	114.50		114.50

Turnover 105 (135)lots of 20 tonnes.

FREIGHT – London FOX $10/index point

	Close	Previous	High/Low
Feb	1638	1620	1610
Mar	1555	1568	1568 1518
Apr	1446	1448	1449 1395
Jul	1110	1110	1120 1075
Oct	1210		1201 1200
BFI	1610	1590	

Turnover 282 (329)

GRAINS – London FOX £/tonne

Wheat	Close	Previous	High/Low
Mar	125.10	124.30	125.10 124.55
May	128.30	127.80	128.30 127.95
Jun	130.25	129.80	130.00 129.95
Sep	107.30	107.15	107.25
Nov	110.70	110.55	110.70
Jan	114.35	114.15	114.35 114.25

Barley	Close	Previous	High/Low
Mar	116.00	114.75	116.00 115.00
May	119.00	117.50	119.00 117.75
Sep	103.90	103.80	103.90

Turnover: Wheat 303 (394), Barley 293 (147).
Turnover lots of 100 tonnes.

PIGS – London FOX (Cash Settlement) p/kg

	Close	Previous	High/Low
Mar	111.5	110.0	110.5 110.0
Apr	111.0	109.5	110.5 110.0
May	111.0	109.5	110.0
Jun	110.5	109.5	110.0 109.5
Jul	109.5	108.0	108.5

Turnover:94 (136) lots of 3,250 kg

MGMI – London FOX

	Close	Prev.	High	Low	Vol
Indx	155.86	157.22			

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)					Total daily turnover 16,554 lots	
Cash	1507-9	1505-7	1508	1506-7		
3 months	1538-9	1537-8	1545/1535	1537-8	1539-40	51,596 lots
Copper, Grade A (£ per tonne)					Total daily turnover 20,775 lots	
Cash	1240-2	1224-6	1243/1230	1231-2		
3 months	1245-6	1231-2	1248/1226	1237-8	1245-6	107,492 lots
Lead (£ per tonne)					Total daily turnover 2,371 lots	
Cash	308-10	304.5-7.5	310	309-10		
3 months	318-8.5	317-8	320/316.5	318.5-9	318-9	13,869 lots
Nickel ($ per tonne)					Total daily turnover 2,012 lots	
Cash	8840-70	8680-95		8770-8		
3 months	8750-70	8615-20	8750/8650	8725-40	8725-50	8,113 lots
Tin ($ per tonne)					Total daily turnover 604 lots	
Cash	5575-85	5545-55	5575/5570	5575-80		
3 months	5670-80	5840-5	5680/5660	6000-100	5685-70	6,396 lots
Zinc, Special High Grade ($ per tonne)					Total daily turnover 5,408 lots	
Cash	1216-8	1220-4	1212	1212-2.5		
3 months	1211-2	1210-2	1222/1207	1206-8	1210-2	17,624 lots

LME Closing £/$ rate:
SPOT: 1.9710 3 months: 1.9401 6 months: 1.9135 9 months: 1.8940

LONDON BULLION MARKET
(Prices supplied by N.M.Rothschild)

Gold (fine oz)	$ price	£ equivalent
Close	364.20-364.70	
Opening	368.25-366.75	
Morning fix	366.25	184.928
Afternoon fix	365.50	185.063
Day's high	367.70-367.20	
Day's low	360.20-361.50	

Loco Ldn Mean Gold Lending Rates (Vs US$)			
1 month	5.30	6 months	5.10
2 months	5.25	12 months	5.05
3 months	5.19		

Silver fix	p/fine oz	US cts equiv
Spot	193.30	381.85
3 months	199.45	387.90
6 months	205.25	394.05

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Feb	364.4	368.2	365.8	364.1
Mar	364.6	368.4	365.2	365.2
Apr	366.1	370.2	368.5	365.6
Jun	369.2	373.3	371.5	369.0
Aug	372.3	376.4	373.5	373.5
Oct	375.5	379.6	377.5	376.0
Dec	378.7	382.8	379.8	379.0
Feb	382.1	386.2	0	0
Apr	385.4	389.5	0	0

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Apr	385.2	386.2	391.0	384.8
Jul	388.7	389.9	390.5	389.0
Oct	392.6	393.7	395.0	395.0

Chicago

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar and sterling improve

POLITICAL AND economic news was somewhat ambiguous for the dollar yesterday, but overall the currency's performance was encouraging.

Proposals from Baghdad for ending the Gulf war were dismissed by officials in Washington, but the market took the view that any offer by Iraq indicated that President Saddam Hussein's resolve may be cracking and that this could be the beginning of the end as far as the war is concerned.

Political uncertainty usually provides support for the dollar, but the US currency seemed to gain from the hopes of peace in the Gulf.

A sharp fall in the US trade deficit also boosted the dollar, although as with the situation in the Gulf it could be argued that this was not necessarily a factor expected to provide support.

Recent comments from US officials, including Mr Nicholas Brady, the Treasury secretary, have tended to favour a further easing of the Federal Reserves monetary stance. A fall in the December trade deficit to $6.25bn, from a revised $8.91bn in November, was much sharper than the market expected and is an indication of recessionary forces.

It could provide more room for lower US interest rates, but the market took the view that US exports have held up well and that the shrinking trade gap has been largely the result of a drop in non-oil imports. Imports of oil also fell for the third consecutive month.

The market chose to concentrate on the fact that the total trade deficit for last year of $100.99bn was the smallest since 1983.

Despite any doubts about the implications of yesterday's news, the dollar improved and prompted suggestions that it is at or near a low point in the period of decline seen over the last year or more .

At the London close the dollar rose to DM1.4760 from DM1.4660; to Y130.40 from Y129.70; to SFr1.2670 from SFr1.2565; and to FFr5.0275 from FFr4.9950. Its index advanced to 60.1 from 59.7.

Sterling came off the bottom of the European Monetary System, despite this week's cut in UK bank base rates and speculation about further early rate reductions. The fall in the annual rate of UK inflation to 9.0 per cent in January, from 9.3 per cent in December, was in line with market expectations.

The pound fell 1.10 cents to $1.9700 against the firm dollar, but rose to DM2.9075 from DM2.9050; to FFr9.9050 from FFr9.8950; and to SFr2.4950 from SFr2.4900. Sterling was unchanged at Y257.00, and its index was steady at 94.4. The pound was replaced at the bottom of the EMS exchange rate mechanism by the French franc.

£ IN NEW YORK

Feb.15	Latest	Previous Close
£ Spot	1.9670-1.9680	1.9805-1.9815
1 month	1.06-1.05pm	1.07-1.06pm
3 months	3.09-3.07pm	3.11-3.09pm
12 months	9.27-9.19pm	9.35-9.25pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	Feb.15	Previous
8.30 am	94.4	94.3
9.00 am	94.4	94.3
10.00 am	94.4	94.3
11.00 am	94.4	94.3
Noon	94.3	94.4
1.00 pm	94.4	94.3
2.00 pm	94.4	94.4
3.00 pm	94.4	94.4
4.00 pm	94.4	94.4

CURRENCY RATES

Feb 15	Bank rate %	Special * Drawing Rights	European † Currency Unit
Sterling	–	0.730345	0.703784
U.S Dollar	6.00	1.44864	1.38892
Canadian $	10.73	1.67144	1.60267
Austrian Sch	7	14.9065	14.4114
Belgian Franc	10.50	43.6620	42.1606
Danish Krone	9½	8.15946	7.87934
D-Mark	6.50	2.12052	2.04838
Dutch Guilder	7.75	2.38968	2.30755
French Franc	10¼	7.22582	6.97654
Italian Lira	12½	1595.50	1538.92
Japanese Yen	6	187.889	180.657
Norway Krone	8	8.30505	8.01059
Spanish Peseta	–	132.507	128.044
Swedish Krona	11	7.96173	7.66822
Swiss Franc	6.00	1.81587	1.75629
Greek Drach	19	N/A	219.366
Irish Punt	–	N/A	0.769612

† European Commission Calculations.
* All SDR rates are for Feb.14

CURRENCY MOVEMENTS

Feb 15	Bank of England Index	Morgan** Guaranty Changes %
Sterling	94.4	–18.1
U.S Dollar	60.1	–19.3
Canadian Dollar	101.7	+0.2
Austrian Schilling	110.7	+12.6
Belgian Franc	112.9	–1.1
[illegible]	[illegible]	[illegible]

OTHER CURRENCIES

[illegible]

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

Feb 15	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.9670 - 1.9815	1.9695 - 1.9705	1.07-1.05cpm	6.46	3.10-3.07pm	6.26
Ireland†	1.7985 - 1.8135	1.8045 - 1.8055	0.64-0.59cpm	4.09	1.93-1.83pm	4.17
Canada	1.1515 - 1.1550	1.1540 - 1.1550	0.38-0.41cdis	–4.11	1.04-1.09dis	–3.69
Netherlands	1.6490 - 1.6685	1.6620 - 1.6630	0.31-0.35cdis	–2.38	0.99-1.04dis	–2.44
Belgium	30.15 - 30.45	30.30 - 30.40	6.50-8.00cdis	–2.87	20-24dis	–2.90
Denmark	5.6350 - 5.6850	5.6725 - 5.6775	1.45-1.65oredis	–3.28	4.65-5.25dis	–3.49
Germany	1.4620 - 1.4790	1.4755 - 1.4765	0.28-0.30pfdis	–2.36	0.89-0.92dis	–2.45
Portugal	129.50 - 129.80	129.55 - 129.65	73-83cdis	–7.22	250-270dis	–8.02
Spain	91.50 - 92.40	92.05 - 92.15	57-60cdis	–7.62	170-176dis	–7.51
Italy	1101.00 - 1111.25	1108.75 - 1109.25	4.50-5.00liredis	–5.14	14.80-15.80dis	–5.52
Norway	5.7300 - 5.7925	5.7650 - 5.7700	1.55-2.00oredis	–3.69	5.45-6.05dis	–3.99
France	4.9800 - 5.0450	5.0250 - 5.0300	1.15-1.20cdis	–2.8	3.72-3.82dis	–3.00
Sweden	5.4900 - 5.5385	5.5200 - 5.5250	2.33-2.63oredis	–5.39	7.65-8.20dis	–5.74
Japan	129.40 - 130.60	130.35 - 130.45	0.13-0.15ydis	–1.29	0.37-0.40dis	–1.18
Austria	10.3030 - 10.4050	10.3725 - 10.3775	2.00-2.40grodis	–2.54	6.10-7.20dis	–2.56
Switzerland	1.2540 - 1.2720	1.2665 - 1.2675	0.13-0.16cdis	–1.37	0.39-0.44dis	–1.31
Ecu	1.3890 - 1.4025	1.3935 - 1.3945	0.35-0.32cpm	2.88	1.07-1.01pm	2.98

Commercial rates taken towards the end of London trading. † UK, Ireland and ECU are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency.

POUND SPOT - FORWARD AGAINST THE POUND

Feb 15	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.9670 - 1.9815	1.9695 - 1.9705	1.07-1.05cpm	6.46	3.10-3.07pm	6.26
Canada	2.2705 - 2.2835	2.2740 - 2.2750	0.49-0.40cpm	2.35	1.60-1.46pm	2.69
Netherlands	3.2700 - 3.2800	3.2700 - 3.2800	1¼-1cpm	4.12	3¼-3pm	3.82
Belgium	59.60 - 60.05	59.75 - 59.85	19-16cpm	3.51	54-48pm	3.41
Denmark	11.1545 - 11.2105	11.1750 - 11.1850	3¼-2¾orepm	3.29	8½-7¾pm	2.91
Ireland	1.0885 - 1.0990	1.0925 - 1.0935	0.29-0.22cpm	2.80	0.71-0.53pm	2.27
Germany	2.9035 - 2.9105	2.9050 - 2.9100	1¼-¾pfpm	4.13	2¾-2½pm	3.87
Portugal	254.75 - 256.35	254.75 - 255.75	6-27cdis	–0.78	90-129dis	–1.72
Spain	181.10 - 182.30	181.20 - 181.50	14-19cdis	–1.09	49-62dis	–1.22
Italy	2176.55 - 2189.20	2184.25 - 2185.25	3-1lirepm	1.1	5-3pm	0.73
Norway	11.3370 - 11.3880	11.3575 - 11.3675	2¾-2¼orepm	2.77	7-6½pm	2.33
France	9.8885 - 9.9175	9.9000 - 9.9100	3½-2¾cpm	3.63	8½-8¼pm	3.33
Sweden	10.8590 - 10.9095	10.8750 - 10.8850	1-¼orepm	0.97	1¾-1¼pm	0.57
Japan	256.10 - 257.50	256.50 - 257.50	1¼-1ypm	4.96	3¼-3pm	4.96
Austria	20.40 - 20.50	20.41 - 20.44	7¼-6gropm	3.86	19½-17¾pm	3.61
Switzerland	2.4890 - 2.5000	2.4900 - 2.5000	1¼-1cpm	5.11	3¼-3pm	5.01
Ecu	1.4130 - 1.4150	1.4135 - 1.4145	0.46-0.40cpm	3.65	1.23-1.14pm	3.35

Commercial rates taken towards the end of London trading. Six-month forward dollar 5.57-5.52cpm . 12 Month 9.25-9.15pm

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency Amounts Against Ecu Feb 15	% Change from Central Rate	% Spread vs Weakest Currency	Divergence Indicator
Spanish Peseta	133.631	128.044	–4.18	5.60	73
Belgian Franc	42.4032	42.1606	–0.57	1.76	34
Dutch Guilder	2.31643	2.30755	–0.38	1.57	26
D-Mark	2.05586	2.04838	–0.36	1.55	32
Italian Lira	1538.24	1538.92	0.04	1.14	5
Irish Punt	0.767417	0.769612	0.29	0.89	–7
Danish Krone	7.84195	7.87934	0.48	0.70	–15
Sterling	0.696904	0.703784	0.99	0.19	–19
French Franc	6.89509	6.97654	1.18	0.00	–57

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes [illegible]

EURO-CURRENCY INTEREST RATES

[illegible]

EXCHANGE CROSS RATES

	...					
YEN	3.891	7.665	11.32	1000.	38.54	9.[illegible]
F Fr.	1.010	1.989	2.936	259.5	10.	2.[illegible]
S Fr.	0.401	0.790	1.166	103.0	3.970	1
H Fl.	0.305	0.602	0.888	78.47	3.024	0.[illegible]
Lira	0.458	0.902	1.331	117.6	4.533	1.[illegible]
C $	0.440	0.866	1.278	113.0	4.354	1.[illegible]
B Fr.	1.672	3.294	4.863	429.8	16.56	4.[illegible]

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FORWARD RATES AGAINST STERLING

	Spot	1 mth	3 mths	6 mths	12 mths
US Dollar	1.9700	1.9594	1.9392	1.9146	1.8780
D-mark	2.9075	2.8976	2.8791	2.8600	2.8321
French Fr.	9.9050	9.8749	9.8213	9.7690	9.7028
Swiss Fr.	2.4950	2.4845	2.4640	2.4392	2.3969
Yen	257.00	255.90	253.73	256.94	256.89

MONEY MARKETS

Bank reinforces rate

LONDON INTEREST rates eased in initial reaction to hopes that Iraq would withdraw its forces from Kuwait, but they finished little changed on the day as the US dismissed the offer from Baghdad as unacceptable. Three-month sterling interbank closed unchanged at 13⅛-13⅛ per cent.

On Liffe prices of March short sterling futures declined to 87.19 from 87.24, but continued to discount another cut of ½ per cent in band base rates by delivery. June short sterling discounts base rates of 11½ per cent by delivery, despite a fall to 88.48 from 88.60.

UK clearing bank base lending rate
13.5 per cent
from February 13, 1991

The Bank of England moved to dampen speculation about another early cut in base rates by lending money to the discount houses at the existing base rate of 13½ per cent.

The overall supply of day-to-day credit remained tight, with the shortage initially forecast at £1,250m, but revised to £1,350m at noon and back to £1,250m in the afternoon. Total assistance of £1,140m was provided.

An early round of help was offered and at that time the authorities bought £328m bank bills in band 2 at 13¼ per cent.

Before lunch another £212m bills were purchased, by way of £71m bank bills in band 1 at 13⅜ per cent and £141m bank bills in band 2 at 13¼ per cent.

The Bank of England did not operate in the bill market in the afternoon, but lent the market £600m for seven days at a rate of 13½ per cent.

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £756m, with a rise in the note circulation absorbing £530m and bank balances below target £180m. These outweighed exchequer transactions adding £205m to liquidity.

At the weekly Treasury bill tender the average rate of discount on 91-day bills fell to 12.1296 from 12.5247 per cent, and the average rate on 182-day bills to 11.4413 from 11.8324 per cent. The £350m of 91-day bills attracted bids of £990m and the £200m of 182-day bills received bids of £822m.

In Frankfurt call money was steady at 8.70 per cent, despite a sharp fall in banks' reserve holdings caused by tax payments. Reserves at the Bundesbank fell to DM72.5bn on Wednesday from DM83.8bn on Tuesday. Nevertheless, the average of DM82.1bn for the first 13 days of the month appeared large enough for banks to meet requirements without major problems.

FINANCIAL FUTURES AND OPTIONS

[illegible]

CAC-40 FUTURES (MATIF) Stock Index

	Open	Close	Change	High	Low	Open Int
February	1665.0	1684.0	+15.0	1740.0	1665.0	7,944
March	1679.0	1694.0	+12.5	1738.0	1679.0	1,708
April	1691.0	1699.0	+7.5	1699.0	1691.0	0
June	-	-	-	-	-	200

Estimated volume 11,086 Total Open Interest 9,852

FT LONDON INTERBANK FIXING

[illegible]

MONEY RATES

[illegible]

LONDON MONEY RATES

[illegible]

POUND - DOLLAR

[illegible]

BANK RETURN

BANKING DEPARTMENT	Wednesday February 13, 1990		Increase or decrease for week
LIABILITIES	£		£
Capital	14,553,000		
Public Deposits	45,275,745	+	1,451,541
Bankers Deposits	1,686,466,336	+	142,035,393
Reserve and other Accounts	2,625,222,405	-	121,314,864
	4,371,517,486	+	22,172,070
ASSETS			
Government Securities	1,110,746,113	-	149,615,000
Advance and other Accounts	1,409,322,031	+	313,818,296
Premises Equipment & other Secs	1,843,800,686	-	143,611,187
Notes	7,434,228	+	1,581,320
Coin	214,428	-	1,359
	4,371,517,486	+	22,172,070
ISSUE DEPARTMENT			
LIABILITIES			
Notes in circulation	15,312,565,772	+	78,418,680
Notes in Banking Department	7,434,228	+	1,581,320
	15,320,000,000	+	80,000,000
ASSETS			
Government Debt	11,015,100		
Other Government Securities	9,096,963,428	-	757,872,665
Other Securities	6,212,021,472	+	837,872,664
	15,320,000,000	+	80,000,000

BASE LENDING RATES

	%		%		%
ABN Bank	13½	Co-operative Bank	13½	Nat Bk. of Kuwait	13½
Adam & Company	13½	Coutts & Co	13½	NatWestminster	13½
Allied Trust Bank	14	Cyprus Popular Bk	13½	Northern Bank Ltd	13½
AIB Bank	13½	Dunbar Bank PLC	13½	Nykredit Mortgage Bank	14
● Henry Ansbacher	13½	Duncan Lawrie	13½	Provincial Bank PLC	15
Associates Cap Corp	15½	Equatorial Bank plc	14	Roxburghe Bank Ltd.	14½
B & C Merchant Bank	13½	Exeter Bank Limited	14	Royal Bk of Scotland	13½
Bank of Baroda	13½	Financial & Gen. Bank	13½	● Smith & Williamson Secs.	13½
Banco Bilbao Vizcaya	13½	First National Bank Plc.	16	Standard Chartered	13½
Bank Credit & Comm	13½	● Robert Fleming & Co.	13½	TSB	13½
Bank of Cyprus	13½	Robert Fraser & Ptnrs.	14	Unibank plc	13½
Bank of Ireland	13½	Girobank	13½	● United Bk of Kuwait	13½
Bank of India	13½	● Guinness Mahon	13½	United Mizrahi Bank	14
Bank of Scotland	13½	● Hambros Bank	13½	Unity Trust Bank Plc	13½
Banque Belge Ltd	13½	Hampshire Trust Plc	14½	Western Trust	13½
Barclays Bank	13½	Heritable & Gen Inv Bnk.	14	Westpac Bank Corp.	13½
Benchmark Bank	14	● Hill Samuel	13½	Whiteaway Laidlaw	13½
Brit. Bk of Mid East	14	C. Hoare & Co.	13½	Yorkshire Bank	13½
● Brown Shipley	13½	Hongkong & Shangh	14		
CL Bank Nederland	13½	● Leopold Joseph & Sons	13½		
● Charterhouse Bank	13½	Lloyds Bank	13½		
Citibank NA	13½	Meghraj Bank Ltd	13½		
City Merchants Bank	13½	McDonnell Douglas Bnk.	13½		
Clydesdale Bank	13½	Midland Bank	13½		
Comm. Bk.of London Plc	13½	Mount Banking	13½		

● Members of British Merchant Banking & Securities Houses Association.

MONEY MARKET FUNDS

Money Market Trust Funds

[illegible]

Money Market Bank Accounts

[illegible]

LONDON STOCK EXCHANGE: Dealings

Details of business done shown below have been taken with consent from last Thursday's Stock Exchange Official List and should not be reproduced without permission.

Details relate to those securities not included in the FT Share Information Services.

Unless otherwise indicated prices are in pence. The prices are those at which the business was done in the 24 hours up to 5 pm on Thursday and settled through the Stock Exchange Talisman system, they are not in order of execution but in ascending order which denotes the day's highest and lowest dealings.

For those securities in which no business was recorded in Thursday's Official List the latest recorded business in the four previous days is given with the relevant date.

Rule 535(2) and Third Market stocks are not regulated by the International Stock Exchange of the United Kingdom and the Republic of Ireland Ltd.

‡ Bargains at special prices. ♦ Bargains done the previous day.

British Funds, etc
No. of bargains included 2214

Exchequer 10½% Stk 2005 - £104 ⅝ (13Fe91)
Guaranteed Export Finance Corp PLC 12½% Gtd Ln Stk 2002(Reg) - £113 ¾ (13Fe91)

Corporation and County Stocks
No. of bargains included 4

Sweden(Kingdom of)9¾% Ln Stk 2014(Reg) - £91⅞
13.5% Ln Stk 2010(Reg) - £120¾ ⅜ ¼ (13Fe91)
United Mexican States 16½% Ln Stk 2008(Reg) - £110 (13Fe91)

Banks and Discount Companies
No. of bargains included 3093

ABN-AMRO Hldgs N.V.Ord FL5 - FL36.6

UK Public Boards

Foreign Stocks, Bonds, etc-(coupons payable in London)

Sterling Issues by Overseas Borrowers

Breweries and Distilleries

Registered Housing Associations

Commercial, Industrial, etc

Electricity

Financial Trusts, Land, etc

Mines – Miscellaneous

Mines – South African

Oil

Property

Insurance

Investment Trusts

Unit Trusts

Plantations

Railways

Shipping

Utilities

Water

Miscellaneous Warrants

USM Appendix

Rule 535(2)

RULE 535 (4) (a)

Bargains marked in securities where principle market is outside the UK and Republic of Ireland. Quotation has not been granted in London and dealings are not recorded in the Official List.

Aust. Foundation Inv A$1.824 (12/2)
Aust. Oil & Gas 27 (12/2)
Beverly Enterprises £4.769 ♦ (14/2)
Boise Cascade Corp £14.105793 ♦ (13/2)
Boral Ord. Stk A$3.74439 (14/2)
City Developments S$3.063 (13/2)
Community Psychiatric Centers £15.9379 ♦ (12/2)
Dewex 13 (8/2)
Elec & Eltek Co HK$0.5213 (8/2)
Harland (John H) Co £10.29 ♦ (12/2)
Highveld Steel & Vanadium $4.875 (11/2)
Idaho Power Co $25.725 ♦ (12/2)
Keystone International $30.704 ♦ (14/2)
Kulim Malaysia Ord 25 ♦ (11/2)
National Electronics (Consolidated) 2.5,3.25 (11/2)
Northrop Corp £26.25 ♦ (14/2)
Oil Search 25 (13/2)
Palabora Mining R63.0 (12/2)
Playmates Hldgs $0.57 (12/2)
Range Resources A$0.02 (13/2)
Saab-Scania Ser "A" SK215.0 (14/2)
Stride Rite Corp £18.639 ♦ (13/2)
Vam A$0.128 (13/2)
Westralian Sands 67 (14/2)

By Permission of the Stock Exchange Council

LONDON STOCK EXCHANGE

Gulf news dictates the market mood

THERE were almost two separate stock markets operating in London yesterday. There was the conventional market which consolidated its recent gains but again baulked at the *FT-SE 2,300 mark*; there was also a highly excitable market which responded with almost frantic optimism to Iraq's qualified announcement on a possible withdrawal from Kuwait.

First reports of the news from Iraq's revolutionary council had an electrifying, if short-lived, effect on a stock market which had been rallying gradually from an opening loss of 11.8 on the Footsie scale. The market immediately swung round to plus 21.4 Footsie points, taking its lead from stock index futures where the March contract on the Footsie jumped to 2,350. There was also a dramatic fall in North Sea

Account Dealing Dates

*First Dealings:		
Jan 28	Feb 11	Feb 25
Option Declarations:		
Feb 7	Feb 21	Mar 7
Last Dealings:		
Feb 8	Feb 22	Mar 8
Account Day:		
Feb 18	Mar 4	Mar 18

*New-time dealings may take place from 8.30 am two business days earlier.

Brent crude oil prices.

Trading in equities became extremely difficult and, although the Seaq system survived without an official declaration of "fast market conditions," there were backwardations in some stocks and traders accepted that some price quotations were largely indicative.

After further reflections on the small print of the Iraq offer, which was later categorised by President Bush as "a cruel hoax", the premium on the Footsie futures was cut back and the gain in equities virtually vanished. Shortly after midday, the Footsie gain was a mere two points, and there was little further change.

The final reading showed the FT-SE Index at 2,296.9 for a net gain of 2.5 points. At the mid-morning peak, following the Iraq news, the Index had reached 2,315.8. The Footsie has surmounted the 2,300 mark on three out of the past four trading sessions, but has failed to hold.

The market gained 51.7 points or just over 2 per cent this week as institutional investors anticipated Thursday's half point cut in UK base rates, and there are expectations of further reductions, the next probably on Budget Day.

There was some minor pre-Budget encouragement yesterday when the latest UK retail price data showed underlying inflation down to 9 per cent last month.

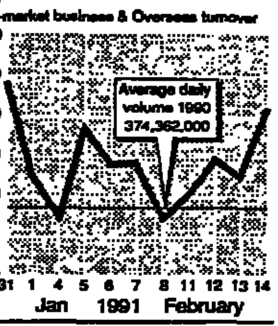
Seaq trading volume remained high yesterday although institutions appeared to be consolidating portfolios rather than putting new cash into the market. Trading was described yesterday as "good two-way business."

There was, however, very little serious selling, but the institutions' appetite for stocks was well illustrated in the successful placing of 81m shares in Allied-Lyons at just under £5 a share. Investment funds welcome such opportunities to acquire high quality stock in a market where it has become "very, very difficult to deal in large size," as one leading brokerage trader put it yesterday.

● Customer trading in equities this week moved well above last year's daily averages as non-UK institutions came into the market to buy UK stocks.

London SE volume

Turnover by volume (million)
Excl:
Intra-market business & Overseas turnover



FINANCIAL TIMES STOCK INDICES

	Feb 15	Feb 14	Feb 13	Feb 12	Feb 11	Year Ago	1990/91 High	1990/91 Low	Since Compilation High	Since Compilation Low
Government Secs	85.65	85.74	85.29	85.03	85.05	80.48	85.74 (14/2/91)	74.13 (30/4/90)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	93.95	93.92	93.26	93.16	93.61	90.77	93.95 (15/2/91)	83.80 (30/4/90)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary Share	1824.5	1817.5	1791.7	1781.1	1793.7	1836.6	1968.3 (3/1/90)	1510.4 (24/9/90)	2008.6 (5/9/89)	49.4 (26/6/40)
Gold Mines	134.5	136.1	136.1	135.1	137.1	298.4	378.5 (6/2/90)	129.2 (6/2/91)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2296.9	2294.4	2267.8	2264.5	2278.0	2325.9	2463.7 (3/1/90)	1990.2 (28/9/90)	2463.7 (3/1/90)	986.9 (23/7/84)
FT-SE Eurotrack 100	1024.86	1013.02	1007.10	997.57	997.27	-	1024.86 (15/2/91)	900.45 (14/1/91)	1024.86 (15/2/91)	900.45 (14/1/91)
Ord. Div. Yield	5.25	5.27	5.35	5.38	5.35	4.70				
Earning Yld %(full)	10.94	10.97	11.15	11.20	11.15	11.45				
P/E Ratio(Net)(☆)	11.05	11.02	10.84	10.79	10.85	10.57				
SEAQ Bargns 4.45pm	37,105	34,226	31,073	35,567	33,826	27,485				
Equity Turnover(£m)†	-	1319.87	924.05	1090.71	844.62	785.13				
Equity Bargains†	-	35,302	30,458	35,925	34,095	26,883				
Shares Traded (ml)†	-	606.8	450.0	499.0	406.8	364.7				

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55. Basis 1000 FT-SE 100 31/12/83 & FT-SE Eurotrack 100 26/10/90 ☆ Nil 10.88 ✚ Indicative

Ordinary Share Index, Hourly changes Day's High 1841.6 Day's Low 1808.2

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
1808.5	1816.5	1820.7	1817.8	1831.1	1822.5	1816.5	1824.4	1822.1

FT-SE 100, Hourly changes Day's High 2315.8 Day's Low 2282.6

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
2282.6	2293.0	2296.9	2293.5	2303.8	2296.4	2297.3	2295.6	2293.9

FT-SE Eurotrack 100, hourly changes Day's High 1028.48 Day's Low 1017.18

Open	10 am	11 am	12 pm	1 pm	2 pm	3 pm
1019.45	1018.10	1017.42	1026.45✚	1027.71	1027.65	1026.80

GILT EDGED ACTIVITY

Indices*	Feb 14	Feb 13
Gilt Edged Bargains	103.0	114.3
5-Day average	94.0	94.1

*SE Activity 1974.
†Excluding intra-market business & Overseas turnover.

London report and latest Share Index: Tel. 0898 123001

TRADING VOLUME IN MAJOR STOCKS

	Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change
ADT	5,000	106	-1	Courtaulds	962	360	+1	MEPC	811	539	-4	Smith (W.H.) A	857	343	-10
ASDA Group	3,100	128	+1	Dalgety	302	378		Manpower	84	69		Smith & Nephew	4,100	104	+1
Abbey National	8,500	254	-7	Dixons	2,800	184	-4	Manweb	689	211	-2	SmKl Beecham	3,900	677	+1
Albert Fisher	2,800	119	+3	ECC Group	169	398		Marks & Spencer	7,600	235	+1	SmKl Beecham Uts.	154	2943	-5
Allied-Lyons	2,600	502	-11	Eastern Elect	2,100	175½	+4	Maxwell Comms.	192	149		Smiths Inds	352	249	-2
Amstrad	1,000	68		East Midland Elect	1,200	192	+7	Midland Bank	2,900	173	-9	Southern Elect	1,300	178	+½
Anglian Water	815	304	-1	Enterprise Oil	1,000	535	-7	Midlands Elect	2,300	183	+3	South Wales Elect.	632	206	+5
Argos	184	283	+1	Eurotunnel Units	478	482	+3	NatWest Bank	4,000	296	-3	South West Water	38	312	
Argyll Group	1,800	271	-1	FKI	3,800	45	+4½	Next	1,400	25	-½	South West. Elect.	1,100	187	
Ass Brit Foods	425	490	-1	Ferranti	1,700	9½	-½	North West Water	1,400	304	+3	Southern Water	741	285	+3
BAA	6,600	378	+14	Fisons	4,000	415½	+12½	Northern Elect	879	197	+3	Standard Chartd.	1,200	273	-8
BAT Inds	1,000	683	+7	Gen. Accident	646	533	+10	Northern Foods	579	381	+1	Storehouse	51	111	-2
BET	2,500	122	-2	General Elect.	9,900	200½	+½	Norweb	695	192		Sun Alliance	716	398	+4
BICC	2,400	403	+8	Glaxo	1,400	958	+13	Pearson	388	700	+2	Sun Life	0	1113	+3
BOC	738	549	+9	Glynwed Int.	957	347	+4	P & O	3,100	560	+4	T&N	289	176	
BPB Inds	291	212	-3	Granada	1,200	177	-4	Pilkington	5,100	189	+7	TI Group	446	438	+2
BTR	7,200	357	+3	Grand Met.	4,400	737	+3	Prudential	4,400	216	+1	TSB	2,700	149	+1
Bank of Scotland	897	129	+1	GUS A	238	1200	-15	RHM	2,700	310		Tarmac	5,900	256	+1
Barclays	4,400	388	-12	GRE	1,800	212	+3	RMC	909	704	+1	Tate & Lyle	791	321	-1
Bass	2,800	984		GKN	930	360		RTZ	1,100	494	-1	Taylor Woodrow	1,800	265	+16
Beazer	1,500	125	+3	Guinness	1,900	806	-1	Racal	5,100	191	+2	Tesco	2,000	241	-1
Bensford Int.	5,300	25		Hammerson 'A'	207	635	-9	Racal Telecom	906	312	+1	Thames Water	1,300	313	-1
Blue Circle	2,600	249		Hanson	10,000	215½	+½	Rank Org.	445	675	-12	Thorn EMI	535	685	-8
Boots	1,600	341	-1	Hanson Warrants	442	36½	-1	Reckitt & Colman	169	1388	-6	Trafalgar House	2,100	239	+9
Bowater	397	517	+9	Harrisons Crosfield	1,500	156	-1	Redland	1,700	629	+9	Trusthouse Forte	3,900	254	+5
Brit. Aerospace	3,700	554	-17	Hawker Sidd.	156	505	-5	Reed Int	515	385	+1	Ultramar	1,300	318	-1
British Airways	30,000	152	+5	Hillsdown	2,700	210	+3	Reg. Elect. Pkg Uts	21	£1888	+40	Unigate	54	289	-2
British Gas	9,400	238½	-1½	IMI	856	239	+5	Reuters	1,400	790	+16	Unilever	1,400	729	+3
British Land	143	304	+2	ICI	1,700	1000	+4	Rolls Royce	5,800	153	+3	United Biscuits	1,100	358	+4
BP	12,000	306½	-1½	Inchcape	1,300	265	+5	Rothmans	219	770	+26	Utd. Newspapers	136	337	+7
British Steel	12,000	127½	+½	Kingfisher	787	403	+3	Ryl Bk Scotland	4,700	188	+4	Water Package Uts	2	£3043	+15
British Telecom	10,000	303	+2	Ladbroke	9,700	257	+8	Royal Insurance	2,800	421	-7	Wellcome	3,300	498	-27
Bunzl	1,800	74½	+1½	Land Securities	2,400	558	-4	Saatchi	692	24		Welsh Water	308	325	-1
Burmah Castrol	405	565	+8	Laporte	259	547	+3	Sainsbury	1,500	333	-4	Wessex Water	193	341	+2
Burton	5,000	90	-3	Legal & General	646	395	+6	Scottish & New.	1,900	387	-4	Whitbread 'A'	2,800	457	-2
Cable & Wire	2,200	511	-4	Lloyds Abbey	625	374	+4	Sears	5,900	93	+2	Wiggins Teape	2,300	209	
Cadburys	3,500	356	+6	Lloyds Bank	2,000	323	+1	Sedgwick	1,700	246	+9	Williams Hldgs	820	289	-1
Calor Group	80	225		LASMO	1,900	355	-9	Seeboard	607	179	+4	Willis Corroon	1,300	286	+2
Carlton Comms.	743	389	-5	London Elect.	988	193	+7	Severn Trent Water	708	281	-1	Wimpey	683	180	-2
Coats Viyella	1,200	123	+1	Lonrho	1,600	209	-2	Shell Transport	3,700	457	-2	Yorkshire Elect	2,100	198	+4½
Comm. Union	313	512	+5	Lucas	2,800	150	+4	Siebe	785	349	+3	Yorkshire Water	342	308	+2
Cookson	838	116	+1	MB Caradon	129	187	-2	Slough Ests	209	244	+2				

Based on trading volume for most Alpha securities dealt through the SEAQ system yesterday until 4.30pm.

Wellcome hit by Aids study

Wellcome fell more than 60p in busy trade after a US study indicated that the company's money-spinning drug Retrovir did not prolong the lives of the largest group of carriers of the Aids virus, those who have not yet developed the disease.

City analysts and the company moved quickly to argue that the study was flawed. They said that the US Food and Drug Administration (FDA) had reaffirmed the drug's usefulness. Wellcome shares recovered quickly to end at 498p, still a net decline of 27. Turnover was 3.2m shares, the second highest level since the summer of 1989, when the share price doubled on hopes for Retrovir sales.

The fall yesterday was triggered by a US newspaper report that carriers of the Aids virus who had not developed the disease (asymptomatics) failed to benefit from taking Retrovir before the onset of symptoms. Potential sales to asymptomatics in the US are at least 10 times as high as for sufferers of the full-blown disease.

The FDA, however, questioned the methodology of the research on several grounds. It concluded "that the preponderance of new data supported the continued use of zidovudine [Retrovir] by patients at earlier stages of infection with the Aids virus".

Mr Robin Gilbert at James Capel nevertheless warned against over-optimism on Retrovir. "Sales have not been spectacular: the drug is not a blockbuster, although it will remain a pillar of therapy in the current generation of drugs."

BA erratic

British Airways was one of the immediate beneficiaries of Iraq's sudden proposals for an end to the Gulf war. The stock jumped on the initial reports and over 8m shares were traded within the first hour after the announcement from Baghdad. BA, having been up 9 at one stage, finished 5 higher at 152p as a total of 20m shares changed hands. BA shares have suffered heavily since the outbreak of the Gulf war, which has brought a fall of more than one fifth in BA passenger traffic as tourist and business travel dwindled on fears of terrorist action.

BAA also rallied, closing 14 higher at 378p on turnover of 6.6m. However, analysts at County NatWest said that until the war ended, they would remain sellers of BA. "The share price move (yesterday) shows what could happen when hostilities end," said Mr Tim Coombs of County. But he added that the threat of increased terrorist attacks could still pose problems for BA after the war ends.

Allied-Lyons placing

Allied-Lyons put in a resilient performance after the placing with institutions of 81m shares held by Olympia & York, the Canadian property developer.

Allied slipped 11 to 502p, compared with a placing price of 497½p. O&Y said it received £395m for the deal, implying that the brokers who conducted the placing – BZW and Cazenove – had paid just over 488p each for the shares. The placing of the stock took about 45 minutes and was over-subscribed, according to BZW.

Analysts struck a bullish note on the news. They said that the price had been depressed in recent months by the overhang of stock. After a brief period of consolidation, the shares would do well. "Institutions are very liquid at the moment," explained Mr *Christopher Wickham at Lehman Brothers.*

There was busy trading among brewery issues in the wake of the placing of 81m shares in Allied-Lyons. **Bass** turned over a heavy 2.8m as the shares swung over a 16p range before settling unchanged on the day at 984p. **Grand Metropolitan** volume was 4.4m and the shares gained 3 to 737p, its sixth record high in succession.

Ever-volatile Rothmans International climbed 26 to 770p as Mr Mark Duffy at SG Warburg edged his current year profit forecasts £2m higher to £508m. He said there had been better than expected results from a Canadian subsidiary and the stock had underperformed the rest of the market over a three month period.

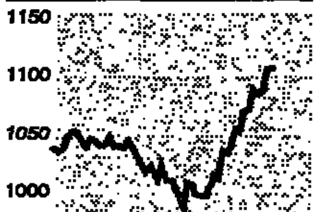
Thursday's recommendation by a US health-care body of Intal, an asthma drug made by Fisons, continued to push the shares higher. Fisons climbed 12½ to 415½p, a two-day rise of 23½. Turnover at 4m was slightly down on the previous session, but still much higher than usual.

Crude oil prices and, to a lesser extent, the oil sector were the first areas of the market to be affected by the early news of a possible end to the Gulf war. Crude, already under pressure, dropped sharply, with April Brent dipping to around $16.65 before rallying and dragging share prices with it.

BP shares, in the spotlight for much of the week, eased 1½ to close a 1½ off at 306½p. Turnover reached 12m. The stock was hit by the slide in crude prices yesterday and earlier in the week by speculation that the Kuwait Investment Office was about to unload its 540m share stake.

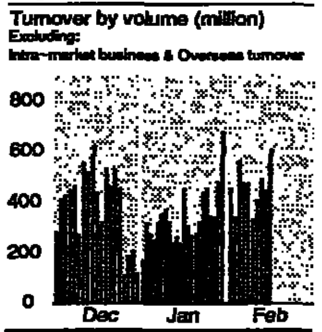
Observers of BP/KIO said the KIO was more than comfortable with the holding. BP's fourth quarter figures, released on Thursday, included a satisfactory dividend, but analysts warned that the prospect that the company could be heading for its first ever quarterly loss. **Shell**, reporting fourth quarter figures on Thursday, was slightly easier at 457p on 3.7m.

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million)
Excluding:
Intra-market business & Overseas turnover



News that US credit-rating agency Standard & Poors had cut its rating of **Barclays Bank's** senior debt from AAA to AA-plus, and might alter its rating for **Midland Bank**, put the skids under shares of both banks. Analysts said the move by S & P was not entirely unexpected. "The reduction in profitability and credit quality at the UK banks mirrors that of the US banks," said one *researcher*. Mr Robert Law, a banks analyst at Lehman Brothers said the move was "certainly damaging for sentiment in the UK banks". He said the Barclays re-rating "marks the last we've seen of a triple A rating in the UK banking system for some time."

Barclays, due to report preliminary figures on February 28, dropped 12 to 388p on 4.4m. Midland, where the debate on whether the bank will maintain its dividend payment *looks set to rage until the figures* are published on March 5, fell 9 to 173p on 2.9m.

Abbey National, a strong performer in a strong sector recently, ran into a bout of selling and closed 7 cheaper at 254p on heavy turnover of 8.5m. Abbey reports preliminary figures on March 1. Mr Tim Clarke, banks specialist at Panmure Gordon, said the market had "got carried away with Abbey's image of a prudent bank with no exposure to risky *lending. The rating has run* ahead of itself. Sell."

"The market is underestimating the potential for bad debts resulting from the downturn in the property market. The declining market for mortgages has been apparent for some time now," said Mr Clarke. Panmure's estimate of full-year profits, at £570m was said to be at the bottom of the market range, as was the dividend estimate, 9.5p.

High activity in the **Electricity Package** was attributed to a sharp exchange between two marketmakers, with one – bullish of the sector – emerging a winner. The Package ended the day 40 higher at £1,888 with turnover reaching the equivalent of 21m shares in the underlying stocks.

Booker fell 6 to 454p on speculation that UBS Phillips & Drew had lowered its 1991 forecast by £7m to £123m. Mr Charlie Mills, of UBS, denied he had cut his forecast but said he was concerned about Booker's catering interests and thought his estimate might have to be reduced at some stage.

Albert Fisher rose 3 to 119p on renewed speculation that it might bid for Del Monte Fresh Fruit, owned by Polly Peck.

Marks & Spencer moved into backwardation after the initial reports of Iraq's proposals to end the Gulf war. A two-way pull developed with the bulls eventually winning. The shares closed a penny better at 235p on turnover of 7.6m.

W. H. Smith "A" fell 10 to 343p after UBS Phillips & Drew said the shares might be overvalued by as much as 100p because of a boost to profits *caused by an accounting* change related to its pension items. "Once the market gets wind of this, the share price reaction is likely to severe," said UBS.

Early gossip that Ladbroke was preparing a convertible rights issue was quickly dismissed by analysts and most traders. The suggestion nevertheless hurt the shares briefly and triggered heavy trading. Ladbroke was 13 lower at worst, but recovered sharply to 257p, a net gain on the day of 8. Turnover was almost 10m shares.

Hi-Tec, the sports equipment maker which made an optimistic *profits forecast* at the start of the week, added another 3 at 83p, making a five-session rise of 26.

Haynes Publishing, which publishes workshop manuals, slid 32 to 133p after posting interim profits down from £1.7m to £494,000. It cut the dividend from 4½p to 1p.

Printing stocks had another good day. SG Warburg was bullish on St Ives, among others, and the shares climbed 10 to 194p. Wace added 10 at 225p, making a two-day rise of 25.

Hopes that a swift conclusion to the Gulf war would lead to massive rebuilding in Kuwait, Saudi Arabia and Iraq gave a big boost to building stocks. **Taylor Woodrow, Costain, George Wimpey** and **Mowlem** were seen as among those building groups likely to win big contracts.

Tarmac retreated to 244p amid speculation that the group might launch a rights issue. It rallied strongly to close a fraction harder on balance at 256p after it said it had no plans for a cash call.

NSM, the coal and building group whose shares fell by around a third pon Thursday after a profit warning, fell further to 13½p at one point, before steadying to close a net 2½ off at 18½p; turnover in the shares reached 17m.

■ Other market statistics, including the FT-Actuaries Share Index and London Traded Options. **Page 11.**

NEW HIGHS AND LOWS FOR 1990/91

NEW HIGHS (78).
BRITISH FUNDS (11) BANKS (3) BREWERS (1) BUILDINGS (4) CHEMICALS (1) STORES (7) ELECTRICALS (1) ELECTRICITY (7) FOODS (6) INDUSTRIALS (16) Cape Inds. 8.4pc Cm Rd. Prf., Cornwell Parker A, Creighton Naturally, De La Rue, Fisons, Glaxo, Kalon, Reckitt & Colman, Reliance Security, Rolfe & Nolan, Serco, Seton Healthcare, Spandex, Spring Ram, Unichem, Wolseley, INSURANCE (4) PAPERS (1) PROPERTY (1) SHOES (1) TRUSTS (12) WATER (2) OILS (1).
NEW LOWS (27).
BANKS (1) BREWERS (1) BUILDINGS (1) STORES (1) ELECTRICALS (2) ENGINEERING (1) INDUSTRIALS (5) Alexandra Workwear, Copymore, LGW, OCE 9pc Cv. 1987-92, Tollgate, MOTORS (1) NEWSPAPERS (1) PROPERTY (2) TRUSTS (3) WATER (1) OILS (1) MINES (6).

RISES AND FALLS YESTERDAY

	On Friday Rises	On Friday Falls	On Friday Same	On the week Rises	On the week Falls	On the week Same
British Funds	17	50	19	223	123	84
Corps, Dom. & Foreign Bonds	2	4	15	19	8	78
Industrials	494	196	866	2,748	767	4,265
Financial and Props	245	81	425	1,598	297	1,864
Oils	14	23	55	115	91	254
Plantations	0	0	10	2	5	43
Mines	30	35	100	168	143	514
Others	24	61	56	298	186	223
Totals	826	450	1,546	5,171	1,620	7,325

LEADERS AND LAGGARDS

Percentage changes since December 31 1990 based on Thursday 14 February 1991

Electricals	+	14.13	Merchant Banks	+	7.63
Electricity	+	13.68	Investment Trusts	+	7.35
Conglomerates	+	13.27	Insurance(Life)	+	7.01
Chemicals	+	13.22	Consumer Group	+	6.92
Electronics	+	12.91	All Share Index	+	6.91
Water	+	12.01	Stores	+	6.75
Other Industrial Materials	+	11.88	500 Share Index	+	6.68
Insurance(Composite)	+	10.86	Engineering-General	+	6.47
Packaging & Paper	+	10.41	Motors	+	5.86
Banks	+	9.98	Property	+	5.48
Textiles	+	9.90	Brewers and Distillers	+	4.83
Health & Household	+	9.89	Contracting,Construction	+	4.72
Building Materials	+	9.70	Media	+	4.00
Other Groups	+	9.64	Transport	+	2.79
Capital Goods	+	9.40	Engineering-Aerospace	+	2.65
Metals & Metal Forming	+	8.94	Hotels & Leisure	+	1.97
Food Retailing	+	8.36	Insurance(Brokers)	+	1.32
Industrial Group	+	8.27	Business Services	-	1.51
Telephone Networks	+	8.20	Oil & Gas	-	2.41
Financial Group	+	8.19	Gold Mines Index	-	11.97
Food Manufacturing	+	7.69			

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
UK GILTS		13.500	09/92	103-24	-2/32	10.87	10.94	11.62
		9.000	03/00	94-16	-7/32	9.94	10.04	10.67
		9.000	10/08	94-08	-9/32	9.68	9.79	10.28
US TREASURY *		7.750	02/01	99-24	+4/32	7.79	7.81	8.24
		7.875	02/21	98-26	+9/32	7.98	8.00	8.43
JAPAN	No 119	4.800	6/99	90.1218	+0.248	6.64	6.66	7.03
	No 129	6.400	03/00	100.7819	+0.262	6.26	6.39	6.72
GERMANY		9.000	01/01	105.0500	+0.220	8.23	8.41	8.98
FRANCE	BTAN	9.000	02/96	99.0054	+0.113	9.25	9.49	10.30
	OAT	9.500	01/01	103.0200	-0.170	9.02	9.15	10.02
CANADA *		10.500	03/01	106.3750	+0.375	9.50	9.60	10.29
NETHERLANDS		9.250	11/00	104.6700	+0.420	8.52	8.72	9.27
AUSTRALIA		13.000	07/00	108.0110	-0.335	11.58	11.34	12.31
BELGIUM		10.000	08/00	105.4000	+0.550	9.11	9.06	9.77

London closing. *denotes New York morning session
Yields: Local market standard Prices: US, UK in 32nds., others in decimal

Technical Data/ATLAS Price Sources

COMMODITIES

WEEK IN THE MARKETS

Gold price shows its fragility

YESTERDAY'S *short*-lived hopes of an imminent Iraqi pull-out from Kuwait brought muted reactions on most commodity markets. The sharpest responses were gold's dip from a morning fix of $366.25 a troy ounce to just above $360 an ounce and heavy falls in freight futures. But by the close gold was back to $364.45 an ounce, down $5.80 on the week, and freight futures had regained most of the lost ground.

At the London Metal Exchange base metals prices extended earlier gains following the announcement from Baghdad but quickly retraced their steps when it became clear that unacceptable conditions were attached. Sugar futures followed a similar pattern but no reaction was discernible on the cocoa and coffee markets.

The fragility of the gold market, as highlighted by yesterday's performance, resulted from "perceptions of an unlimited gold supply irrespective of price", Mr Gary Maude, Managing director of Gengold, the gold arm of the South African Gencor group, told an industry conference in Johannesburg this week.

Changing those perceptions would require removing from the market the highest cost 20 per cent of South African production, for which the average break-even price was about $370 an ounce, he suggested.

Such drastic supply surgery is not an option for the languishing silver market, however, because production is largely as by-product from mining operations directed at other metals. So silver's price prospects depend almost entirely on the demand side of the equation, which, in turn, is becoming increasingly dependent on the photographic sector, as investment interest in the metal continues to fade.

With recent demand from that sector tailing off this week the spot price for silver at the London bullion market fell to a 17-year low of 366 US cents a troy ounce at one point and some traders were talking of a technical target of 350 cents an ounce. But the trend was reversed by news of a strike at a big Mexican production facility, Industrias Penoles Torreon, and the price ended the week only 1.4 cents down at 381.85 cents an ounce.

The Mexican plant is also an important producer of lead and zinc, so news of the strike provided a boost for those markets too at the London Metal Exchange. Cash zinc ended the week $39.50 up at $1,217 a tonne, while cash lead put on £10.50 to reach £309 a tonne.

The LME's other contracts also continued last week's rallies, notably cash copper, up £26.50 at £1,241 a tonne, and cash nickel, up $290 at $8,855 a tonne.

Among the soft commodities,

LME WAREHOUSE STOCKS
(As at Thursday's close)
tonnes

Aluminium	-1,775	to 310,400
Copper	-475	to 193,600
Lead	+1,650	to 68,925
Nickel	-150	to 3,174
Zinc	-500	to 54,100
Tin	-85	to 19,355

cocoa and coffee prices gained ground but sugar plumbed new depths.

The cocoa market at the London Futures and Options Exchange began the week on the *downbeat, reflecting sales* by French trade houses and talk of physical offerings from the Ivory Coast, the biggest producing country, and other West African producers. But prices began to edge ahead as good *manufacturer buying* absorbed the selling by producers, who dealers said appeared to be taking care not to overload the market. "Origins [producing countries] cannot have too much more to sell", commented one dealer. By last night's close the May futures position was quoted at £661 a tonne, up £26 on the week.

The coffee market was boosted in mid-week by a US Department of Agriculture forecast that the Brazilian crop would fall by 19 per cent in 1991-92 to 25m bags (60 kg each), which one dealer said had "spooked some specs". The *USDA assessment was echoed* later in the week by London trader E.D. & F. Man, which said in a report that the 1991-92 crop was likely to be about 24.9m tonnes. At the futures market the May position for robusta coffee ended at £534 a tonne, up £3 on the week.

Sugar's continued slide took the London daily raws price down to a fresh 33-month low of $209 a tonne, before it edged up to $211.80 yesterday, down $5.20 on the week.

Sugar analysts are now unanimous that the world sugar balance will move back into surplus during the current marketing year, following several years of deficit. C. Czarnikow, the London trade house, forecast in its latest sugar market report this week that the 1990-91 surplus would be about 1.2m tonnes. And F.O. Licht, the German statistics agency, was still more bearish, raising its surplus estimate to 3.33m tonnes from the 1.63m tonnes it was predicting in October.

Richard Mooney

APPOINTMENTS

Divisional changes at Sears

■ **Mr David Carter-Johnson** has been appointed managing director of SEARS menswear division. He was managing director of the childrenswear division, and succeeds Mr **David Wood** who has resigned to pursue other interests. Mr **Richard Borland** becomes managing director, childrenswear division. He was merchandise director of Adams Childrenswear, part of the division.

■ **Mr Kenneth Ward** has been appointed chairman of *PEGASUS RETIREMENT* HOMES, Cheltenham, which he founded in 1984. He is succeeded as managing director by **Mr David Tobutt** who was development director.

■ CSS PROMOTIONS has appointed **Mr Mike Rush**, formerly marketing director of Cellnet, to the new post of head of sales.

■ TUNSTALL TELECOM has appointed **Mr Robert Stead** *as overseas development* director.

■ **Mr David John Collett** has been appointed a director of the CONGREGATIONAL & GENERAL INSURANCE.

■ **Mr Simon MacLachlan**, a partner in Clifford Chance, and **Professor Peter Stott** have been appointed to the board of MID KENT HOLDINGS.

■ BRITISH AEROSPACE (COMMERCIAL AIRCRAFT) has appointed **Mr Trevor Hall** as senior vice president airlines sales in the airlines division marketing operations centre, making him *responsible for sales of ATP* and 146 regional airliners throughout the world except north and south America. He was vice president airline sales for the eastern market.

■ PERSIMMON HOMES (YORKSHIRE) has appointed **Mr Richard Baker** as construction director. He was contracts manager.

GENERAL PORTFOLIO LIFE INSURANCE, Harlow, has appointed Ms Carmen Effron *(pictured)* **as associate director, marketing. She was director of** *financial institutions* **at American Life UK.**

■ TRANSPORT DEVELOPMENT GROUP has divided its UK companies into four divisions. **Mr John R. Cole**, *managing director of* TDG Northern, will head the distribution division; **Mr Paul C. Byrne**, managing director of TDG Controlled Temperature, will head the storage division; **Mr Michael A. Cox**, *managing director of* TDG Plant Services, will head the hire division; and **Mr Duncan Martin**, managing director of TDG Cairngorm, will head the transport division. **Mr Jim Wishart**, *managing director of* TDG Southern, and a main board director, will become group services director.

■ **Mr Simon Williamson** has been appointed a senior manager of ROYAL BANK OF CANADA (ISLE OF MAN).

■ DEUTSCHE BUNDESPOST TELEKOM, London, has appointed **Mr Andrew McFadzen** as executive director. He was head of international services, Mercury Communications.

■ **Mr Charles Godwin** has been appointed a non-executive director of ALLEN, Wigan. He was a senior partner of Price Waterhouse.

■ WOOLF, UK construction subsidiary of CBC, part of Compagnie Générale des Eaux, has appointed **Mr Terry Fleming** as chairman, retaining his post as group managing director. He succeeds **Mr Michael Stafford** who has retired but remains a non-executive director. **Mr Paul Jennings**, commercial director, has resigned. **Mr Bernard Vergne** and **Mr Jean-Dominic Mallet**, directors *of CBC, join the board, while* **Mr Eric Melikov**, also of CBC, resigns from Woolf. **Mr J-F du Montant**, president of Coteba, the CBC French project management subsidiary, joins the board as a non-executive *director.* **Mr Miles Shiach** *has* retired. **Mr Jean-Pierre Belliard** joins the management board of Woolf from CBC.

■ GNI, futures and options broker, has appointed as *associate directors:* **Mr Guy Boardman, Mr Ben Few Brown, Mr Rob Maughlin, Mr Hugh Morshead, Mr Julian Rogers-Coltman, Mr John Tierney, Mr Simon Watson, Mr Mike Whittaker,** and **Mr** ***Jeff Woyda.***

■ **Mr David Hornbuckle** has been appointed general manager of TRIUMPH INTERNATIONAL and HOM (GB). He succeeds **Mr George Edward** who has retired and been appointed chairman of HOM (GB).

■ **Mr Peter Woolmer** has joined **Mr Clive Hartwright** of GROVE FARMS (HARWELL), Abingdon, to form two subsidiary companies engaged in the recycling of green waste. Mr Woolmer was a director of West of England Farmers, and Kemira Fertilizers of Finland.

■ **Mr John A. Dembitz** has *been appointed chairman and* president of TRIMEDIA INTERNATIONAL. He has also been elected to the international board of the Swiss-based Trimedia organisation. He will be based in London. Mr Dembitz has been a director of Charterhouse Bank; chairman and chief executive of Valin Pollen, and international director of Valin Pollen International.

■ SPP HAMBRO & CO, US investment banking affiliate of Hambros Bank, has appointed **Mr Allan B. Ruchman** *(pictured)* as president and head of mergers and acquisitions. He was head of West Coast mergers and acquisitions at The First Boston Corporation. He succeeds **Mr Neil H. Powell Jr** who has been appointed chairman.

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AUTHORISED UNIT TRUSTS

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Abbey Unit Tst Mngrs (1000)H						
80 Holdenhurst Rd, Bournemouth 0345 717373						
High Income						
American Income	6	40.90	40.90xd	43.74	-0.47	7.29
Gilts & Fixed Int	6	115.4	115.4	122.5	+0.2	9.39
High Inc Equity	6	123.7	127.3xd	135.4	+0.9	6.28
Worldwide Bond	6	200.8	200.8xd	212.8	+1.3	7.05
Capital Growth						
American Growth	6	163.4	163.4xd	174.7	-2.4	1.10
Asian Pacific	6	102.8	105.1	111.8	+0.2	.38
Assets & Earnings	6	155.2	155.2	165.9	+1.1	3.27
Capital Reserve Acc	0	103.3	103.3	103.3	.....	6.91
Capital Reserve Inc	0	86.75	86.75	86.86	+0.02	6.91
Comdty & Energy	6	68.53	68.53xd	73.29	-0.36	1.35
1992 Enterprise	6	57.32	57.32	61.30	+0.39	3.47
Euro Capital Acc	6	83.98	83.98	89.81	+0.09	1.51
Euro Capital Inc	6	80.64	80.64xd	86.24	+0.18	1.51
General	6	157.2	157.2xd	168.1	+1.5	2.97
Japan	6	89.82	89.82	96.06	-0.13	-
Mastertrust	6	79.87	79.87	85.42	+0.18	3.01
UK Growth Acc	6	135.6	135.6	145.0	+1.3	3.04
UK Growth Dist	6	87.69	87.69xd	93.78	+0.85	3.04
US Emerging Cos	6	50.11	50.11	53.59	-0.16	-
Income & Growth	6	281.5	281.5xd	301.0	+2.0	3.41
Ethical	6	43.68	43.68	46.71	+0.35	2.14
International	6	53.95	54.69	58.18	-0.06	.86
Dividend & Growth	6	44.60	45.79xd	48.71	+0.41	5.75
Global Gwth & Sec	6	49.12	49.48xd	52.63	+0.18	1.90
Abtrust Management Ltd (1200)H						
10 Queens Terrace, Aberdeen AB9 1QJ 0800 833580						
Amer Inc & Growth	5¼	25.36	25.36	26.95	-0.13	2.96
Cash	-	51.05	51.05	51.05	+0.01	13.42
European	5¼	65.94	65.94xd	70.17	+0.54	0.00
European Income	5¼	69.48	70.02	73.86	+0.57	2.66
Exempt	1	706.6	706.6xd	728.9	+1.20	3.19
Exempt Income	3¼	164.0	164.0xd	173.7	+0.7	4.88
Exempt Americas	3¼	301.4	301.4	314.4	-2.6	1.82

[illegible]

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♣) - 1101 to 1400 hours; (♦) - 1401 to 1700 hours; (♠) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH Tel: 071 – 379 – 0444.

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	Unit Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
TSB Unit Trusts (1200)H						
Charlton Pl, Andover, Hants SP10 1RE 0264 346794						
TSB American	6	113.42	114.13	121.41	-0.91	0.42
Do Accum	6	123.98	124.76	132.72	-0.99	0.42
TSB Brit Growth	6	67.99	69.04	73.44	+0.12	3.63
Do Accum	6	75.16	76.32	81.19	+0.13	3.63
TSB European	6	68.46	68.81xd	73.2	+0.65	1.17
Do Accum	6	70.95	71.3xd	75.85	+0.66	1.17
TSB Extra Income	6	149.69	153.12	162.89	+0.49	5.51
Do Accum	6	212.7	216.56	230.38	+0.69	5.51
TSB Smaller Cos	6	38.18	39.74	42.27	+0.41	3.21
Do Accum	6	40.03	41.67	44.32	+0.43	3.21
TSB General	6	207.0	207.0xd	220.21	+0.37	4.0
Do Accum	6	386.24	386.24xd	410.89	+0.7	4.0
TSB Premier Income	5	43.21	43.86xd	45.68	+0.07	8.92
Do Accum	5	77.33	78.49xd	81.76	+0.14	8.92
TSB Income	6	277.29	282.85	300.9	+0.11	5.42
Do Accum	6	515.49	525.81	559.37	+0.19	5.42
TSB Pacific	6	197.25	197.25	209.84	-2.8	0.36
Do Accum	6	205.24	205.24	218.34	-2.91	0.36
TSB International	6	350.9	350.9	373.29	+0.67	1.15
Do Accum	6	450.1	450.1	478.82	+0.87	1.15
TSB Nat Resources	6	54.11	55.12	58.63	+0.1	1.26
Do Accum	6	58.69	59.79	63.6	+0.1	1.26
TSB Sted Opps	6	71.74	73.47	78.15	+0.55	3.66
Do Accum	6	85.63	87.68	93.27	+0.66	3.66
Environmental Inv	6	42.74	[illegible]	[illegible]	[illegible]	[illegible]

	Bid Price	Offer Price	+ or -	Yield Gross
M & G Securities Ltd				
Charibond	101.4	101.4xd	+0.3	10.65
(Accum Units)	552.0	552.0	+1.7	10.65
NAACIF Feb 5	-	40.5xd	..	9.89
MIM Ltd				
Exempt Funds				
Intl Mngd P'Folio	1027.0	1107.0	..	-
Mngd Pens (Acc)	61.40	65.40	..	-
Morgan Grenfell Unit Trust Managers Ltd				
Exempt Funds				
UK Equity I Feb 12	118.9	127.5		3.07
UK Small Co I Feb 12	420.6	458.1		2.33
Fixed Interest I Feb 12	105.2	110.6		8.03
US Small Co Feb 12	120.5	128.7		0.00
Managed Feb 12	99.08	105.4		1.38
Intl Bond Feb 12	111.2	117.9		7.80
Japan Feb 12	64.86	69.31		0.98
European Feb 12	80.17	85.76		1.72
Nth American Feb 12	90.20	96.70		1.46
Murray Johnstone UT Mngmt				

Allied Dunbar Assurance Plc – Contd.

Baring Funds

INSURANCES

OTHER UK UNIT TRUSTS

Continued on next page

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N & P Life Assurance Ltd

National Financial Management Corp PLC

National Mutual Life

National Provident Institution

Norwich Union Asset Management Ltd

Norwich Union Life Insurance Soc.

Pearl Assurance (Unit Funds) Ltd

Pegasus Assurance Ltd

Premium Life Assurance Co Ltd

Professional Life Assurance Co Ltd

Prolific Life & Pensions Ltd

Property Equity & Life Ass. Co

Prosperity Life Assurance Ltd

Providence Capital Life Ass. Co Ltd

Provident Life Assoc Ltd

Provident Mutual Life Assc. Assn.

Prudential Assurance Co

Prudential Holborn Life Ltd

Prudential Holborn Pensions Ltd

Prudential Pensions Limited

Regency Life Assurance Co Ltd

Reliance Mutual

Royal Heritage Life Assurance Ltd

Royal Heritage Life Assurance Ltd – Contd.

Royal Insurance Ltd

Royal Liver Assurance

Save & Prosper Group

Scottish Amicable

Scottish Equitable Life Assce. Soc.

Scottish Life Investments

Scottish Mutual Assurance Society

Scottish Mutual Investments

Scottish Provident Institution

Scottish Widows' Group

Shield Assurance Ltd

Skandia Life Assurance Co Ltd

Standard Life Assurance Company

Sun Alliance Group

Sun Life of Canada (UK) Ltd

Sun Life Unit Assurance Ltd

Swiss Life (UK) PLC

Swiss Pioneer Life Plc

TSB Life Ltd

Target Life Assurance Co Ltd

Teachers' Assurance Company Ltd

Templeton Life Assurance Limited

Tunbridge Wells Equitable

Wesleyan Assurance Society

Windsor Life Assce Co Ltd

Woolwich Life Assurance Co Ltd

Zurich Life Assurance Co Ltd

OFFSHORE INSURANCES

AEtna Intl Assurance (Bermuda) Ltd

Albany International Assurance Ltd

CMI Insurance Co Ltd

Eagle Star Intl Financial Services

Equity & Law Intl Life Assce Co Ltd

Finsbury International Ltd

Finistere Life Assurance Co Ltd

Hansard International Ltd

Isle of Man Assurance Ltd

NEL Britannia International Ltd

Premium Life International Ltd

Providence Capital International Ltd

Royal Life Intl. Ltd

Royal Skandia Life Assurance Ltd

Sun Alliance International Life

Target International Group

MANAGEMENT SERVICES

David M. Aaron (Personal Fin. Plan.) Ltd

The Analysis Group PLC

Bryan Walls & Partners Ltd

Cannon Law & Company Ltd

James Campbell & Son Financial Services

Chase de Vere PLC

ECU Fabers Plc

Edinburgh Money Management Ltd

Fairmount Glen Rolls Ltd

Gartmore Fund Managers Ltd

Hargreaves Lansdown Financial Services

J.P.S. Lamont plc

Johnson Fry Financial Services Ltd

Knight Williams & Company Ltd

Macartney & Bowie F.S. Ltd

Northcote Blngs & Partners

PBR Fund Management Ltd

Pendleton May Financial Services Ltd

Roxborough Financial Management Ltd

Rutland Inv Mng & Inv Crp

Sharp (Albert E) & Co.

Sittala Fund Managers Limited

Tattersall Investment Mngt. Ltd

Towry Law & Co

J. D. Ward Financial Services Ltd

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

Orion Fund Limited

CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

Barclays Intl Fund Managers Ltd

Baring Intl Fd Managers (Guernsey) Ltd

Guinness Flight Fd Mngrs (Guernsey) Ltd

Hambros Fd Mgrs (CI) Ltd

Leopold Joseph Fund Mngmt (Guernsey) Ltd

Kleinwort Benson Intl Fd Mngrs Ltd

Lazard Fund Mngrs (Channel Islands) Ltd

Lion World Fixed Income Fund

Lloyds Intl Money Market Fund Ltd

M & G (Guernsey) Ltd

Prolific International Mngmt Ltd

Rothschild Asset Management (CI) Ltd

Royal Bank of Canada Funds

Schroder Investment Mngmt (Guernsey) Ltd

GUERNSEY (REGULATED)

Adams & Neville Fund Mngt (Guernsey) Ltd

Arab Bank Fund Managers (Guernsey) Ltd

Bachmann Global Investment Fund Ltd

Credit Suisse Asset Mngmt (Guernsey) Ltd

Dantrust Management (Guernsey) Ltd

Fleart-Consell Fund Mngrs (Guernsey) Ltd

John Govett Mngmt International Ltd

Hambros Fund Managers (CI) Ltd

Havelet Throgmorton Mngmt Ltd

Henderson Admin. (Guernsey)

Hill Samuel Fd. Mngrs. (Guernsey) Ltd

Holborn Fund Management (Guernsey) Ltd

Kleinwort Benson Intl Fd Mngrs Ltd

Kleinwort Benson Islamic Fd Mngmt Ltd

Lazard Fund Managers (CI) Ltd

Merrill Lynch Guernsey

هذا من الاصل

FT MANAGED FUNDS SERVICE

● Current Unit Trust Prices are available on FT Cityline. To obtain your free Unit Trust Code Booklet ring the FT Cityline help desk on 071-925-2128

	Bid Price	Offer Price	+ or -	Yield Gross
Nikko Capital Mngt (Europe) Ltd				
Japan Index Fund	Y2,849	2,878		(z)
New Generation Fd $	$22.18	22.40		–
Japan Index Alpha	Y7,749	7,861		–
Jap Sector Rotation	Y6,985	7,088		–
Jap Cap Grwth CB	[illegible]	[illegible]		–
Sanwa International (Guernsey) Ltd				
Intl Bond	$10.66	10.84		–
Intl Dollar	$10.37	10.38		–
Intl Equity	$11.47	11.88		–
Falcon High Income	$90.70	90.86		–
Schroder Investment Mngmt (Guernsey) Ltd				
Latin American	$12.2019	12.9015	-0.1762	–
Stonehage Fund Mngrs Ltd				
Intl Man Fd	$11.67	11.74		–
U.S. Treasury Securities Fund Ltd				
Short Term Shares		$750.62		–
Fixed Income Shares		$876.33		–
Yamaichi Capital Mangmt (Guernsey) Ltd				
Japan Meta Growth		$11.09	+0.01	–
Yamaichi ISS Fund		$8.05		–
Yamaichi CB Plus Fund		$8.83	+0.03	–
Thai Inv Fund		$10.86		–

IRELAND (SIB RECOGNISED)

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
GAM Fund Management Ltd (z)						
29 Kildare Street, Dublin						010 353 1760 630
GAM Universal US $ Acc		$–	113.96		+2.40	–
GAM Universal US $ Inc		$–	113.96		+2.40	–
GAM Universal DM Acc		DM–	109.33		+3.36	–
GAM Universal DM Inc		DM–	109.33		+3.36	–
MI Global Asset Mngmt Co Ltd "MI Trusts"						
MI Global Dollar		$–	1.00	1.07		–

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Hill Samuel Fund Mgrs (Jsy) Ltd (1000)F						
PO Box 63, Bond Street, St. Helier, Jersey 0534 76029						
Stlg Fixed Int	5½	£1.123	1.123	1.192	[illegible]	9.92
Offshore High Yield	3½	£1.450	1.450	1.508	[illegible]	14.42
Global Equity Fund	5½	$14.41	14.49	15.50	-0.03	1.10
European Equity	5½	[illegible]	16.70	17.86	+0.18	1.11
UK Growth (CI Fund)	5½	£4.366	4.425	4.735	[illegible]	3.45
Nth American Eqty	5½	$9.655	9.655	10.295	[illegible]	0.75
Far Eastern Eqty	5½	$9.317	9.495	10.112	[illegible]	0.00
International Mngd		£–	–	–	(z)	–
Intnl. Bond Fund						
Sterling Managed	5½	£10.25	10.23	10.90	+0.03	8.81
US Dollar Managed	5½	$13.57	13.57	14.42	-0.01	5.92
International Currency Fund						
Sterling Managed ◆	5½	£25.04	25.04	26.50	+0.01	–
US Dollar Managed ◆	5½	$29.17	29.17	30.87		–
Sterling ◆ ‡	0	£24.18	24.18	24.18	+0.01	13.52
US Dollar ◆ ‡	0	$37.45	37.45	37.45	+0.01	5.49
Deutschmark ◆ ‡	0	[illegible]	58.80	58.80		7.67
Japanese Yen ◆ ‡	0	Y4,773	4,773	4,773	+1	6.27
Swiss Franc ◆ ‡	0	[illegible]	45.90	45.90		6.91
Irish Punts ◆ ‡	0	I£21.75	21.75	21.75		6.76
INVESCO MIM International Limited						
PO Box 271, St Helier, Jersey 0534 73114						
Jersey Gilt (z)	5¼	[illegible]	[illegible]	[illegible]	[illegible]	9.18
Lloyds Bank (CI) U/T Mgrs.						
PO Box 195, St Helier, Jersey 0534 27561						
Lloyds Tst. Gilt	2½	£9.527	9.543	9.792	[illegible]	11.44
Dealing daily						
Midland Bank Fund Managers (Jersey) Ltd						
PO Box 26, St Helier, Jersey 0534 37788						
Intl Circuit Portfolio	6	93.48	93.48	99.14	+0.9	0.00
Gilt	3	93.33	93.33	96.23	+0.19	10.41
For MIM see INVESCO MIM						
Royal Trust Jsy Fd Mngt Ltd (1400)F						
PO Box 428, St Helier, Jersey 0534 76077						
Govt Secs Fd	4	56.96	56.96	59.45	(z)	10.98
TSB Trust Funds (CI)						
PO Box 538, St Helier, Jersey 0534 73494						
TSB Offshore Investment Fund Ltd						
Stg Deposit Class	3	102.91	102.91	105.99	-0.01	11.30

WORLD STOCK MARKETS

US MARKETS (3:00 pm)

[illegible]

Comcast Corp A	15¼	+⅜
Commerce Cl Hse	50½	+1
Comm Satellite	25	−⅛
Commonw Edison	38½	+⅛
Compaq Computer	71½	+1⅜
Computer Sciences	58⅝	....
Conagra	41⅞	+⅞
Cons Edison	23⅞xd	....
Cons Freightways	19⅞	....
Cons Nat Gas	42¾	−⅛
Cons Paper	39¼	−½
Cons Rail	49	−½
Continental Air	2.12	....
Interlake	4.12	+.13
IBM	137⅛	+2
Intl Flav & Fr.	83⅞xd	+⅝
Intl Multifoods	38⅞	+1⅛
Intl Paper	64xd	+1½
Interpublic	39⅛	−⅛
InterTAN	20⅞	−⅜
James River Va	27⅞	+⅛
Jefferson Pilot	41⅝	+1
Johnson Controls	27	+⅝
Johnson & Johnson	80¼xd	+2¾
Pfizer	104⅞xd	+3
Phelps Dodge	65⅜xd	−¾
Philadel Elec	19⅝xd	+⅛
Philip Morris	61¾	+1⅞
Phillips Pet	27½	−⅜
Phillips-Van Hsn	19xd	+⅛
Pic'n'Save	11⅝	−⅛
Pinnacle West Cap	12	....
Pioneer Hi Bred	46	....
Pitney Bowes	53½	+¾
Pittston	17¾xd	....
Polaroid	26½	−⅛
Policy Mgt Sys	48¾	....
VF Corp	24⅛	+⅛
Valero Energy	18⅛	−⅛
Varian Associates	41⅛	+⅜
Vornado	106⅛	−⅛
Vulcan Materials	35⅝xd	−⅛
Wainoco Oil	6⅛	....
Walgreen	31xd	+⅛
Wal-Mart Stores	36⅞	+⅛
Wang Labs B	3.50	+.25

CANADA (3:00 pm)

[illegible]

Toronto Dom Bk	19	+⅛
Total Pet N Am	25⅝xd	−⅛
Transalta	13½	+⅛
Trans Can Pipe	17⅛	+⅛
Trilon Cp A	11⅝	−⅛
Trimac	7½	....
Trizec A	16⅝	....
United Dominion	9⅞	....
Varity Corp	2.91	−.02
Westcoast Energy	20⅛	+⅛
Weston (George)	44⅛	+1⅛

AUSTRIA / BELGIUM/LUXEMBOURG / DENMARK / FINLAND / FRANCE / GERMANY / ITALY / NETHERLANDS / NORWAY / SPAIN / SWEDEN / SWITZERLAND / SOUTH AFRICA / AUSTRALIA / HONG KONG / MALAYSIA / SINGAPORE / JAPAN

[illegible]

Prices data supplied by Telekurs.

NOTES – Prices on this page are as quoted on the individual exchanges and are last traded prices. (u) unavailable, xd ex dividend, xc ex scrip issue, xr ex rights, xa ex all.

INDICES

NEW YORK

DOW JONES	Feb. 14	Feb. 13	Feb. 12	Feb. 11	1990-91 HIGH	1990-91 LOW	Since compilation HIGH	Since compilation LOW
♠Industrials	2877.23	2909.16	2874.75	2902.23	2999.75 (16/7/90)	2365.10 (11/10/90)	2999.75 (16/7/90)	41.22 (2/7/32)
Home Bonds	94.65	94.60	94.54	94.39	94.65 (14/2/91)	88.44 (24/9/90)	95.51 (9/2/87)	54.99 1/10/81)
Transport	1097.85	1112.83	1111.42	1127.12	1212.77 (6/6/90)	821.93 (17/10/90)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	214.79	217.05	217.18	217.62	236.23 (2/1/90)	190.96 (24/8/90)	236.23 (2/1/90)	10.50 (8/4/32)

♠Day's High 2942.08 (2918.32) Low 2852.48 (2848.51)

STANDARD AND POOR'S	Feb. 14	Feb. 13	Feb. 12	Feb. 11	1990-91 HIGH	1990-91 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	364.22	369.01	365.50	368.57	369.01 (13/2/91)	295.46 (11/10/90)	369.01 (13/2/91)	4.40 (1/6/32)
Industrials	429.49	434.97	430.76	434.57	437.37 (16/7/90)	346.86 (11/10/90)	437.37 (16/7/90)	3.62 (21/6/32)
Financial	28.22	28.80	28.50	28.54	31.87 (3/1/90)	18.80 (29/10/90)	35.24 (9/10/89)	8.64 (1/10/74)
NYSE Composite	198.92	201.18	199.43	200.85	201.18 (13/2/91)	162.20 (11/10/90)	201.18 (13/2/91)	4.46 (25/4/42)
Amex Mkt. Value	340.80	342.94	340.65	341.10	382.45 (5/1/90)	288.07 (30/10/90)	397.03 (10/10/89)	29.31 (9/12/72)
NASDAQ Composite	444.31	447.97	443.98	444.10	469.60 (16/7/90)	325.44 (16/10/90)	485.73 (9/10/89)	54.87 (31/10/72)

	Feb. 8	Feb. 1	Jan.25	year ago (approx.)
Dow Industrial Div. Yield	3.57	3.70	3.88	4.09
	Feb. 13	Feb. 6	Jan.30	year ago (approx.)
S & P Industrial div. yield	2.91	3.01	3.20	3.09
S & P Indl. P/E ratio	17.89	17.39	16.58	14.23

NEW YORK ACTIVE STOCKS

Thursday	Stocks traded	Closing price	Change on day
Alcan Alum.	6,620,000	22⅞	...
Boeing	4,080,400	48	+ ⅞
Nabisco RJ	3,292,200	7⅛	- ⅛
Citicorp	2,929,700	16⅛	- ⅛
Pepsico	2,899,100	31⅞	+ ¾
Philip Morris	2,862,200	60⅛	- ⅝
Gen. Electric	2,808,500	67⅞	- ½
IBM	2,485,200	135⅛	+ ½
Am. Express	1,907,200	26⅛	...
Nike	1,796,500	46⅝	- 4⅛

TRADING ACTIVITY

† Volume (Millions)	Feb. 14	Feb. 13	Feb. 12
New York	230.750	209.960	258.780
Amex	18.127	16.528	18.646
NASDAQ	191.673	176.578	200.737
Issues Traded	2,032	2,041	2,057
Rises	607	1,042	772
Falls	1,034	558	860
Unchanged	391	441	425
New Highs	152	129	179
New Lows	1	3	5

CANADA

TORONTO	Feb. 14	Feb. 13	Feb. 12	Feb. 11	1990-91 HIGH	1990-91 LOW
Metals & Minerals	3166.28	3203.39	3169.40	3172.17	3453.05 (4/1/90)	2486.60 (8/11/90)
Composite	3492.25	3519.24	3504.78	3501.19	4009.47 (3/1/90)	3009.91(16/10/90)
MONTREAL Portfolio	1864.26	1882.70	1880.34	1880.74	2060.90 (3/1/90)	1607.24(16/10/90)

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds.‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

	Feb. 15	Feb. 14	Feb. 13	Feb. 12	1990-91 HIGH	1990-91 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1376.6	1372.9	1378.1	1384.9	1713.7 (12/1/90)	1204.5 (16/1/91)
All Mining (1/1/80)	600.1	600.7	604.1	606.3	860.8 (5/1/90)	561.6 (16/1/91)
AUSTRIA						
Credit Aktien (30/12/84)	479.83	459.07	451.40	449.89	703.29 (19/3/90)	393.54 (16/1/91)
BELGIUM						
Brussels SE (Cash Mkt) (1/1/80)	5320.18	5252.18	5241.41	5258.46	6599.43 (12/1/90)	4664.84 (16/1/91)
DENMARK						
Copenhagen SE (3/1/83)	335.95	329.27	327.83	330.18	388.29 (20/7/90)	302.26 (8/1/91)
FINLAND						
Unitas General (1975)	378.4	372.9	370.8	366.9	677.3 (23/1/90)	348.4 (9/1/91)
FRANCE						
CAC General (31/12/82)	440.34	437.99	432.67	437.59	564.62 (30/5/90)	394.88 (15/1/91)
CAC 40 (31/12/87)	1670.39	1652.68	1635.84	1626.24	2129.32 (20/4/90)	1441.17 (14/1/91)
GERMANY						
FAZ Aktien (31/12/58)	638.99	637.51	632.21	627.56	832.32 (19/7/90)	569.69 (28/9/90)
Commerzbank (1/12/53)	1818.5	1812.9	1796.2	1780.6	2414.0 (3/4/90)	1612.5 (15/1/91)
DAX (30/12/87)	1531.19	1486.52	1489.41	1468.94	1968.55 (30/3/90)	1322.68 (16/1/91)
HONG KONG						
Hang Seng Bank (31/7/64)	(c)	(c)	3412.66	3395.00	3559.89 (23/7/90)	2738.24 (1/2/90)
IRELAND						
ISEQ Overall (4/1/88)	1278.42	1268.07	1260.39	1237.93	1893.10 (22/1/90)	1114.86 (25/1/91)
ITALY						
Banca Com. Ital. (1972)	553.50	547.43	537.23	530.66	763.52 (14/6/90)	486.26 (29/1/91)
JAPAN						
Nikkei (16/5/49)	25343.74	25356.37	25139.47	24935.01	38712.88 (4/1/90)	20221.86 (1/10/90)
Tokyo SE (Topix) (4/1/68)	1896.04	1898.47	1879.48	1865.66	2867.70 (4/1/90)	1523.43 (1/10/90)
2nd Section (4/1/68)	2852.30	2837.41	2801.43	2765.12	4477.16 (16/7/90)	2499.15 (29/1/91)
MALAYSIA						
KLSE Composite (4/4/86)	(c)	(c)	527.60	526.01	632.22 (1/8/90)	459.08 (28/9/90)
NETHERLANDS						
CBS Tll.Rtn.Gen.(End 1983)	242.9	240.6	239.0	238.5	271.9 (20/7/90)	221.4 (16/1/91)
CBS All Shr (End 1983)	177.6	175.9	174.8	174.5	206.3 (3/1/90)	162.3 (16/1/91)
NORWAY						
Oslo SE (Ind) (2/1/83)	676.74	680.58	673.71	669.23	915.13 (2/8/90)	618.45 (21/1/91)
PHILIPPINES						
Manila Comp (2/1/85)	874.71	862.48	866.01	887.41	1160.70 (21/3/90)	514.80 (5/10/90)
SINGAPORE						
SES All-Singapore (2/4/75)	(c)	360.24	359.57	357.18	446.87 (16/7/90)	301.45 (11/10/90)
SOUTH AFRICA						
JSE Gold (28/9/78)	1036.0	1044.0	1036.0	1026.0	2230.0 (16/1/90)	976.0 (6/2/91)
JSE Industrial (28/9/78)	3178.0	3144.0	3114.0	3101.0	3211.0 (6/2/90)	2640.0 (1/10/90)
SOUTH KOREA**						
Korea Comp Ex. (4/1/80)	(c)	(c)	644.91	648.11	928.82 (4/1/90)	566.27 (17/9/90)
SPAIN						
Madrid SE (30/12/85)	254.08	247.16	245.64	244.73	309.74 (16/7/90)	209.37 (28/9/90)
SWEDEN						
Affarsvarlden Gen. (1/2/37)	985.9	964.7	965.5	971.0	1329.9 (5/7/90)	808.4 (8/1/91)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	676.0	668.7	666.4	656.6	845.5 (13/7/90)	590.4 (14/1/91)
SBC General (1/4/87)	574.2	567.9	566.8	560.1	698.2 (13/7/90)	487.1 (14/1/91)
TAIWAN**						
Weighted Price (30/6/66)	(c)	(c)	(c)	(c)	12495.34 (10/2/90)	2560.47 (1/10/90)
THAILAND						
Bangkok SET (30/4/75)	774.52	766.24	753.66	760.93	1143.78 (25/7/90)	544.30 (30/11/90)
WORLD						
M.S. Capital Intl (1/1/70) (5)	516.1*	516.0	516.6	514.5	571.0 (4/1/90)	423.1 (28/9/90)

**Saturday February 9: Taiwan Weighted Price: 4540.92. Korea Comp Ex. 631.27.
♠ Subject to official recalculation. *Calculated at 15.00 GMT.
Base values of all indices are 100 except: Brussels SE, ISEQ Overall and DAX – 1,000, JSE Gold – 255.7, JSE 26 Industrials – 264.3 and Australia All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

WORLD STOCK MARKETS

AMERICA

Rally resumes despite dismissal of Iraqi offer

Wall Street

WALL STREET threw caution to the winds and equities resumed their rally yesterday, in spite of President George Bush's dismissal of Iraq's offer to withdraw from as a "cruel hoax", *writes Karen Zagor in New York.*

At 2 pm, the Dow Jones Industrial Average was 34.90 higher at 2,912.13 on moderate volume, having fallen 31.93 to 2,877.23 on Thursday. The advance was broadly based, with advancing issues leading declining by a ratio of nine to five and the Standard & Poor's 500 climbing 3.80 to 368.02 at 1.30 pm. On January 9, the day talks between the US and Iraq fell through, the Dow closed at 2,470.30.

The stock market has received support from sharply falling interest rates in the US, which have made the cash and stock markets more attractive than the US Treasury market. At midday yesterday, the Treasury's bellwether long bond was quoted ⅛ higher to yield 7.94 per cent.

Lower oil prices helped, with the March crude oil contract sliding $1.14 to $21.52 a barrel at midsession. The equity market was also bolstered yesterday morning by buying ahead of the afternoon's options expiries.

Among featured issues, Humana dropped $1¾ to $45⅝ in active trading after an analyst reduced third quarter earnings estimates to between 79 cents and 81 cents a share from about 85 cents. In the 1990 third quarter, the company earned 75 cents a share.

Chrysler, which plans to cut its white-collar workforce by at least 10 per cent and eliminate non-union jobs, rose $¼ to $12. Among the other big US auto companies, General Motors gained $⅝ to $37⅛ and Ford added $⅛ to $31.

Airline issues benefited from the prospect of lower oil prices, with UAL, parent of United Air Lines, climbing $4⅝ to $136⅝. AMR, parent of American Airlines, adding $2¾ to $60 and Delta Air Lines gaining $2⅝ to $73.

Blue-chip stocks also rallied yesterday morning. Philip Morris added $1¾ to $61⅝, PepsiCo improved $¾ to $32½ and General Electric rose $1⅞ to $69⅝.

Harley-Davidson was up $1⅝ at $25⅞ after the US motorcycle manufacturer reached a tentative agreement with its union on a three-year contract.

Alliant Techsystems dropped $1⅛ to $17⅛ following reports that the US army was concerned that a strike at Alliant might delay some shipments of munitions.

Issues of oil service companies moved lower, with Schlumberger falling $1⅛ to $59⅞ and Dresser Industries slipping $¼ to $23½.

Technology issues, which have paced this year's stock market rally, also gained ground. IBM rose $1⅛ to $136¼, Compaq gained $1¼ to $71⅞ and DEC improved $⅞ to $74¾.

In the secondary market, Corporate Software jumped $2½ to $11 on better-than-expected fourth quarter results. The company turned in net earnings of 16 cents a share on sales of $54.3m, compared with 19 cents on sales of $41.9m a year earlier.

Software Toolworks slid $⅛ to $3 after the company said that it had extended its third quarter loss to 21 cents a share from 13 cents.

Apple Computer was up $⅝ to $57¾ on the news that Sony will manufacture part of its new laptop computer. Dell Computer gained $⅞ to $25⅝ after the company reported sharp improvement in fourth quarter earnings, to 42 cents a share from 6 cents a year earlier.

Canada

TORONTO stood slightly higher at midday after retreating from morning highs. The composite index rose 4.1 to 3,496.3 and advances led declines by 225 to 196 on volume of 9.95m shares.

Iraq's bid for peace spurred sharp losses in gold and oil shares, offsetting gains in cyclicals. Lac Minerals lost C$⅝ to C$9, Placer Dome slipped C$½ to C$16¾ and Imperial Oil A fell C$¾ to C$58¾.

Media and communications shares climbed across the board after weakness on Thursday. Southam rallied C$1⅛ to C$20⅝ and Torstar class B by C$½ to C$27⅛.

EUROPE

Bourses subside after burst of enthusiasm

LUNCHTIME indications of an Iraqi withdrawal from Kuwait set early closing bourses like Milan and Frankfurt alight yesterday. But disappointment set in almost immediately as the Iraqis attached conditions to their withdrawal offer, *writes Our Markets Staff.*

Airlines rose, most oils fell. The Italian market showed its emotion, or its nervous condition, most clearly, trimming an initial surge of 4 to 5 per cent to a closing gain of only 1.1 per cent. But after a much less savage reassessment of German stocks, a London dealer was inspired to say that, when the Gulf war is resolved, he would not be surprised if Frankfurt dropped by 2 or 3 per cent.

FRANKFURT was volatile. Gulf hopes and higher bond prices put the DAX index up by nearly 20 points, or 1.3 per cent, in the morning, but an absence of follow-through buying left the the FAZ index only 1.48 higher at 638.99 in midsession, 3 per cent higher on the week.

The Iraqi announcement, 50 minutes before the end of the session, brought big buyers in. Volume expanded from DM5.8bn to DM9.3bn, and the DAX index peaked 3.5 per cent higher before it closed up 3 per cent at 1,531.19, 4.3 per cent better on the week.

BMW ended a strong day up DM27.70 at DM460.50 on a combination of dividend rumours and fundamental analysis; buy advice for Asko lifted the retailer by DM38, or 5 per cent, to DM805. Elsewhere Lufthansa, as low as DM98 earlier this month, regained another DM7.50 to close at DM124.

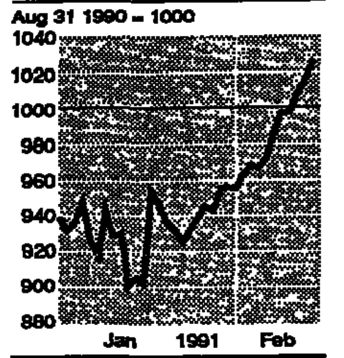
PARIS finished below its peak, with the CAC 40 index 1.1 per cent higher on the day and 2.9 per cent up on the week. The index closed 17.71 up at 1,670.39 after a high of 1,703.47, in trading worth about FFr3.5bn, up from FFr2.5bn.

A strong bond market, with the Matif opening at its highest level for more than a year, lent support. One dealer noted a difference in attitude between domestic and foreign investors – the French saw the market as near its top, while the British, for example, viewed it as still good value, he said. Alcatel Alsthom, the favourite stock among foreigners, was the most active issue, gaining FFr17 to FFr569 in turnover of FFr310m.

Oil stocks fell prey to profit-taking, as the oil price dropped on the Gulf reports before making a partial recovery. Elf Aquitaine ended FFr10.30 down at FFr293.20, having fallen to FFr287 earlier in busy trade.

FT-SE Eurotrack 100

Aug 31 1990 = 1000



AMSTERDAM advanced 2 per cent in heavy volume of about Fl 1.4bn; the expiry of February options and futures added to activity. The CBS Tendency index rose 1.7 to 86.8, up 6 per cent on the week.

KLM jumped Fl 2.10 or 9.8 per cent to Fl 24.60 on options-related trading and hopes of a lower oil price. Royal Dutch, the oil group, lost 10 cents to Fl 132.40, but recovered from a low of Fl 131.

MADRID's general index rose 4.87 to 252.03, 4.7 per cent higher on the week. One analyst said that the 255 level on the index was likely to form the upper end of the medium-term trading range.

Corporacion Mapfre jumped Pta420 or 8.4 per cent to Pta5,400; the insurer announced a 39 per cent rise in 1990 net profits.

STOCKHOLM's volume more than doubled from SKr272m to SKr654m as the Affärsvärlden General index rose 21.2 or 2.2 per cent to 985.9, just 1 per cent better over five days.

There was hectic trading in Astra, the pharmaceuticals group, up SKr3 at SKr473 in turnover of SKr100m on rumours that Wallenberg investment companies would divest their 15 per cent stake in the company. Worse-than-expected results from Atlas Copco, the industrial equipment group, left its B shares SKr10 lower at SKr178.

COPENHAGEN rose 2 per cent on the day and 2.4 per cent on the week, the bourse index gaining 6.68 to 335.95. Hopes of a modest wage agreement with Danish industrial workers added to the bullish mood of the market, but institutions were still too cautious to join the rally. OSLO slipped on profit-taking, the all-share index easing 0.82 to 468.98. Turnover fell to NKr284m from NKr410.5m.

ZURICH welcomed a drop in short-term domestic interest rates, and the Crédit Suisse index rose 8.1 or 1.6 per cent to 518.4, up 6 per cent on the week.

Far outpacing the market, Swissair put on SFr79 or 11.7 per cent to SFr756, on hopes that the airline would succeed in its cost-cutting programme and on oil price considerations.

MILAN started technically strong at the opening of the March account, Generali leading the way. The Comit index ended 6.07 up at 553.50, 5.9 per cent higher on the week.

BRUSSELS finished below its highs, after a hectic day's trading worth BFr1.9bn. The cash market index gained 68.0 to 5,320.18. Petrofina, the oil refiner which buys its crude oil on the market, rallied BFr375 or 3.5 per cent to BFr11,000.

VIENNA rose to a year's high, the bourse index adding 19.51 or 3.8 per cent to 534.47. Trading was extended by 30 minutes.

LISBON's BTA index gained 36.0 or 1.7 per cent to 2,213. ATHENS saw the general index jump 45.83 or 4.3 per cent to 1,116.47.

SOUTH AFRICA

GOLD SHARES eased in Johannesburg, as bullion fell on expectations of an Iraqi withdrawal from Kuwait. The all-gold index slipped 15 to 1,036, but other stocks were firmer. Allied, the building society focus of a takeover battle, rose 10 cents to R2.90.

ASIA PACIFIC

Nikkei steadies as late buying trims losses

Tokyo

INVESTORS TOOK the opportunity to realise profits yesterday, although heavy buying by domestic investors towards the close left share prices only slightly lower, *writes Emiko Terazono in Tokyo.*

The Nikkei average closed 12.63 down at 25,343.74 – its first loss in nine sessions – but ended the week 4.3 per cent higher. Volume was heavy at 800m shares, down from 1.1bn.

Investors took profits from the start. The index hit a day's low of 25,010.47 at the beginning of the afternoon session, but a spurt of buying during the last hour reduced losses, with the index peaking at 25,344.52 just before the close.

Losses led gains by 584 to 435, with 122 issues remaining unchanged. The Topix index of all first section stocks lost 2.43 to 1,896.04 but, in London trading, the ISE/Nikkei 50 index rose 16.91 to 1487.23.

Traders said that sentiment was still strong on hopes of weak January money supply figures to be released on Monday. Analysts expect growth of 7.0-7.2 per cent, against December's 8.6 per cent.

Investors sought laggards such as constructions and high-technology issues, with both sectors gaining more than 3 per cent. Sato Kogyo added Y80 to Y1,670, as individual investors placed buying orders. TDK gained Y200 to Y4,850 and Sony advanced Y190 to Y6,870.

Sumisho Computer Service rose Y100 to Y3,170 after announcing that it would make a 20 per cent scrip issue at the end of next month.

Buying by individuals boosted Mitsubishi Materials, the most active stock of the day, which rose Y14 to Y785, and Chiyoda, the plant engineer, up Y90 at Y2,670.

Traders said that small and medium-sized issues were also in demand. Share prices on the second section rose for the ninth consecutive day.

In Osaka, the OSE average rose 81.52 to 27,774.81 on volume of 82.8m shares, down from 122.5m.

Roundup

AFTER the overnight fall on Wall Street and the pause in Tokyo, those Pacific Basin markets not shut for the lunar new year holiday had little to bite on yesterday. There was a tendency towards improvement, but in thinner volume.

AUSTRALIA recovered from an early low to close with the All Ordinaries index 3.7 higher at 1,376.6, up 2.7 per cent on the week. Turnover eased from A$186m to A$175m.

Adelaide Steamship, selling assets to reduce debt and planning to restructure, jumped 10 cents to 48 cents, after falling from A$6.20 at the start of 1990. Its David Jones retailing associate put on 17 cents to 95 cents. News Corp rose 22 cents to A$7.48, after Thursday's profits news.

NEW ZEALAND's Barclays index ended up 1.95 at 1,374.70, down slightly from a week ago, as turnover inched up from NZ$16.6m to NZ$17.1m. Fletcher Challenge steadied at NZ$3.50 after Thursday's news of a drop in first-half profits.

The lunar new year brought some action to those markets not on holiday. MANILA's Chinese investors lifted the composite index by 12.23 to 874.71, up 3.9 per cent on the week, although turnover shrank from 259m pesos to 132m.

In BANGKOK, the SET index rose 8.28 to 774.52, up 6.3 per cent on the week. Turnover was heavy at 4.5bn baht, as investors sought an auspicious start to the Year of the Ram.

Wall St expects economic revival

Patrick Harverson looks beyond the immediate risks in the Gulf

WALL STREET was asking itself an important question in the immediate days before the Allied forces dropped their first bombs on Iraq: how far, it wondered, would share prices fall once war began?

The question was not if shares would fall, but by how much. This assumption, accepted by almost everybody, was proven spectacularly wrong on January 17. The Dow Jones Industrial Average jumped more than 114 points to 2,623.51, the second largest single-day rise in history. The market saw January 17 as the beginning of the end of the Gulf crisis.

The same experts warned that the reality of the recession would, in all likelihood, reassert its hold on the market's conscience; the bear market would remain firmly in place.

But again the experts' predictions have been confounded. Since the war began, the Dow has risen about 15 per cent; before profit-taking came in last Thursday it was rapidly approaching its all-time high of 2,999.75, reached on July 17, 1990.

There have been equally startling gains from other indices. By midsession yesterday the Standard & Poor's 500 had risen by over 16 per cent since January 16 to 368.02, while the Nasdaq composite index of secondary stocks had gained 23 per cent to 448.34.

The roots of the stock market's contradictory behaviour lie in its age-old practice of discounting. The theory behind discounting is disarmingly simple. The war may be concluded, or it may drag on; but the market believes that the US-led coalition will win, so there is no need for share prices to fall.

As for the economy, the recession is a fact, but oil prices have fallen which should keep a lid on inflation and allow room for interest rate cuts. It looks as if the worst of the recession has passed, and the market expects a return to economic growth by the third quarter of this year in the wake of cheaper credit.

So share prices, which traditionally act as leading indicators – they anticipate economic trends, rather than react to them – should rise steadily ahead of the coming upswing in the economy.

A number of technical factors add to the arguments for a sustained rally: excess liquidity among investors; a historically narrow spread between bond and equity yields, which suggests stocks are cheap relative to bonds; and falling interest rates, which make money market instruments less attractive to hold.

The performance of shares in the past three weeks has led Wall Street to ask another important question: is this a new bull market? Many influential Wall Street watchers think so. Mr Ken Spence, stock market strategist at Salomon Brothers, and Mr Martin Zweig, a well-known technical analyst, see evidence of a bull phase in two factors: domestic monetary policy and the market breadth (the difference between the number of stocks rising and falling each day).

Spence and Zweig point out that on 10 consecutive days within the past two weeks the number of stocks rising has exceeded the number falling by a ratio of at least two to one.

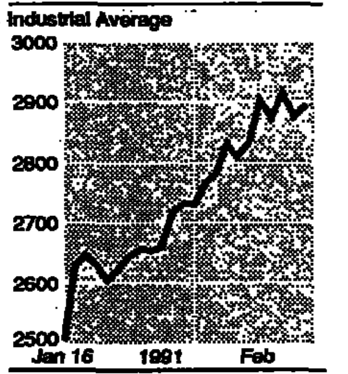
Such a ratio of two to one or more, writes Zweig in an analysis of recent events, signifies a "breadth stampede", or what Spence calls a "momentum surge".

When a stampede/surge occurs within two months of moves by the Federal Reserve to ease monetary policy, then the signs are there that a bull market has arrived.

Spence notes that on only 10 occasions since 1926 have a momentum surge and two interest rate cuts occurred within three months of each other. Each time this has happened, the market has gained an average 14 to 15 per cent in the 12 weeks following the surge – and advanced by 21 per cent in the following 24 weeks.

Dow Jones

Industrial Average



"The momentum surge and the decline in interest rates indicate the emergence of a new bull market," concludes Spence.

The buying in this new bull market has not been confined to blue-chip stocks, although IBM, the market's bellwether issue, has led the Dow higher with a stunning 25 per cent gain since January 16 to $136¼ by midsession yesterday. Secondary stocks have outperformed Big Board stocks, with the help of strong demand for technology and healthcare shares.

Companies which had been sold heavily before the rally have also fared especially well. Two good examples are the banking and homebuilding sectors. Between January 15 and February 12 regional bank shares rose 41 per cent and money centre banks rose almost 30 per cent. In the same period, homebuilding stocks rose 33 per cent.

The fact that those sectors suffering the most in the current recession have been in heavy demand clearly suggests that investors are buying in anticipation of a rapid recovery in the economy. In contrast, companies which usually do well, even in the toughest of times, have been bypassed by most investors. Telephone company and electric company stocks rose just 7.2 per cent and 6.2 per cent respectively between January 15 and February 12.

The biggest buyers in the rally have been the stock mutual funds, fuelled with extra cash from wealthy retail investors looking for a better return from equities than is currently available from bonds, property or overseas stocks.

The amount of funds invested in the market in recent weeks has been substantial, judging by the sharp rise in turnover during the period. Between January 17 and February 11, daily volume averaged about 224m shares, 43 per cent higher than the average daily volume of 1990. The message is clear: welcome to the new bull market – but as January 17 proved, prediction can be a dangerous exercise.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	THURSDAY FEBRUARY 14 1991								WEDNESDAY FEBRUARY 13 1991					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1990/91 High	1990/91 Low	Year ago (approx)
Australia (75)	129.92	−0.6	97.24	106.52	99.03	109.79	−0.6	6.61	130.73	97.35	106.64	99.00	110.43	158.31	112.74	143.34
Austria (19)	204.75	+1.2	153.24	167.87	156.06	155.69	+1.8	1.75	202.36	150.69	165.08	153.24	152.93	285.63	167.00	251.28
Belgium (60)	146.72	−0.4	109.81	120.28	111.82	108.91	+0.1	5.41	147.24	109.64	120.10	111.49	108.75	160.02	121.73	139.17
Canada (116)	138.36	−1.0	103.55	113.43	105.44	115.66	−0.9	3.47	139.71	104.04	113.96	105.79	116.70	153.61	121.24	139.81
Denmark (32)	258.88	+0.4	193.75	212.25	197.31	198.14	+0.9	1.52	257.91	192.05	210.39	185.30	196.35	277.62	217.74	252.39
Finland (21)	108.62	+0.8	81.29	89.06	82.79	81.18	+1.1	3.51	107.80	80.27	87.94	81.63	80.26	152.29	90.61	149.00
France (113)	145.10	+0.5	108.59	118.95	110.56	113.69	+1.2	3.64	144.34	107.48	117.73	109.29	112.36	168.85	121.85	146.69
Germany (88)	120.87	+0.3	90.46	99.11	92.12	92.12	+0.9	2.47	120.54	89.76	98.34	91.27	91.27	144.63	101.38	129.28
Hong Kong (48)	139.21	+0.0	104.19	114.13	106.11	139.23	+0.0	4.82	139.19	103.65	113.54	105.40	139.23	147.49	112.24	119.51
Ireland (16)	162.24	+0.1	121.42	133.01	123.65	125.74	+0.7	3.64	162.12	120.72	132.25	122.76	124.86	198.57	132.88	192.11
Italy (91)	85.16	+1.5	63.74	69.82	64.91	70.12	+2.1	3.60	83.88	62.46	68.42	63.51	68.66	109.26	72.05	95.23
Japan (453)	143.68	+0.4	107.53	117.79	109.52	117.79	+0.9	0.73	143.06	106.53	116.70	108.34	116.70	197.26	106.58	185.03
Malaysia (34)	221.77	+0.1	165.98	181.81	169.02	229.29	+0.0	3.28	221.61	165.02	180.77	167.80	229.29	250.89	182.96	242.81
Mexico (12)	599.50	−0.1	448.67	491.50	456.92	1945.08	−0.2	0.35	599.85	446.68	489.32	454.22	1948.51	613.96	324.53	374.04
Netherland (41)	143.56	+0.2	107.44	117.70	109.42	108.14	+0.8	4.97	143.30	106.71	116.89	108.51	107.33	149.03	125.70	137.27
New Zealand (15)	50.25	−3.1	37.60	41.20	38.30	43.93	−3.3	7.73	51.88	38.63	42.32	39.28	45.41	75.36	41.18	67.23
Norway (30)	217.24	+1.5	162.59	178.11	165.58	168.86	+1.9	1.58	214.05	159.39	174.62	162.09	165.53	276.79	182.24	237.72
Singapore (25)	184.38	+1.3	137.99	151.16	140.52	145.08	+1.5	2.86	181.98	135.51	148.45	137.80	142.94	209.24	147.24	196.69
South Africa (60)	193.15	−0.5	144.56	158.35	147.21	135.10	+1.1	4.02	194.13	144.56	158.35	148.99	133.66	251.39	151.50	201.31
Spain (41)	163.66	+0.2	122.49	134.18	124.74	113.76	+0.9	4.99	163.25	121.57	133.18	123.62	112.73	182.25	128.54	155.03
Sweden (27)	179.28	−0.6	134.17	146.98	136.64	145.64	−0.3	2.82	180.42	134.35	147.18	138.62	146.03	234.93	146.60	185.06
Switzerland (65)	99.40	−0.5	74.39	81.50	75.77	77.43	+0.1	2.67	99.90	74.39	81.50	75.66	77.39	109.77	82.17	96.65
United Kingdom (296)	182.19	+0.8	136.35	149.36	138.85	136.35	+1.3	5.15	180.74	134.59	147.43	136.85	134.59	182.19	139.87	159.48
USA (526)	147.51	−1.3	110.40	120.94	112.43	147.51	−1.3	3.34	149.38	111.24	121.87	113.12	149.38	149.38	119.06	135.52
Europe (940)	147.72	+0.5	110.55	121.11	112.59	111.93	+1.1	4.17	146.93	109.41	119.86	111.27	110.71	157.65	124.91	141.87
Nordic (110)	185.84	+0.1	139.09	152.36	141.64	140.89	+0.6	2.12	185.61	138.22	151.41	140.55	139.90	223.29	155.55	192.04
Pacific Basin (650)	142.64	+0.4	106.75	116.95	108.72	117.85	+0.8	1.07	142.10	105.82	115.92	107.81	116.86	192.75	107.82	181.02
Euro – Pacific (1590)	145.06	+0.4	108.58	118.93	110.57	116.17	+1.0	2.37	144.44	107.56	117.82	109.37	115.07	174.18	116.03	165.56
North America (642)	146.85	−1.2	109.91	120.41	111.95	145.38	−1.2	3.35	148.70	110.73	121.31	112.62	147.20	148.70	119.26	135.68
Europe Ex. UK (644)	126.69	+0.3	94.82	103.89	96.58	97.65	+0.9	3.44	126.27	94.02	103.02	95.63	96.73	145.82	106.85	129.89
Pacific Ex. Japan (197)	129.68	−0.3	97.05	106.33	98.65	114.42	−0.3	5.56	130.09	96.87	106.13	98.51	114.76	146.72	111.40	132.80
World Ex. US (1778)	145.59	+0.4	108.96	119.37	110.97	116.81	+0.9	2.42	145.03	108.00	118.32	109.83	115.77	173.77	117.12	165.14
World Ex. UK (2008)	141.49	−0.3	105.89	116.00	107.85	125.37	+0.0	2.43	141.93	105.69	115.79	107.49	125.37	182.00	115.37	152.98
World Ex. So. Af. (2244)	144.81	−0.2	108.37	118.73	110.38	126.38	+0.1	2.73	145.08	108.03	118.36	109.87	126.21	161.84	118.04	152.25
World Ex. Japan (1851)	147.27	−0.5	110.22	120.75	112.26	130.93	−0.3	3.76	148.02	110.22	120.75	112.10	131.27	151.59	124.31	138.83
The World Index (2304)	145.10	−0.2	108.59	118.96	110.60	126.44	+0.1	2.74	145.38	108.25	118.59	110.09	126.26	162.05	118.33	153.54

Latest prices were unavailable for this edition. Markets closed February 14: Hong Kong and Malaysia.

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

1990/91 High	Low	Stock	Price £	+ or −	Yield Int.	Red.
99	92	Funding 5¼pc '87-91‡‡	99	.....	5.80	11.11
98¼	89¼	Treas. 3pc 1991	98¼	.....	3.05	10.20
99	94	Treas 10pc Cv '91 ‡‡	99	.....	10.09	12.22
99	94	Exch. 11pc 1991	99	.....	11.05	11.63
97	90	Treas. 8pc 1991	97	.....	8.22	11.37
101	97	Treas 12¾pc 1992‡‡	101	.....	12.58	11.20
98	92¼	Treas 10pc 1992	98 xd	.....	10.11	11.18
96	89½	Treas. 8pc 1992 ‡‡	96	.....	8.27	11.08
99¼	93	Treas 10½pc Cv 1992‡‡	99¼	.....	10.57	11.02
93	82	Treas. 3pc 1992	92½	.....	3.24	9.08
101	95	Exch. 12¼pc '92	101 xd	−	12.04	10.96
104	98	Exch 13½pc 1992	103 xd	.....	13.01	10.84
95	86¼	Treas 8¼pc 1993	95 xd	.....	8.61	10.56
98	90¼	Treas 10pc 1993‡‡	98	+	10.10	10.53
104	96	Treas 12½pc 1993‡‡	104	+	11.98	10.42
92	82	Funding 6pc 1993‡‡	91 xd	+	6.53	9.54
107	99¾	Treas 13¾pc 1993‡‡	107	+	12.75	10.42
95	84½	Treas. 8½pc 1994	95	+	8.90	10.29
111	102	Treas 14½pc 1994‡‡	111 xd	+	13.06	10.18
108¾	99¼	Exch 13½pc 1994	108¾	+	12.43	10.27
99	88	Treas. 10pc Ln. 1994‡‡	99	.....	10.05	10.18
106½	96	Exch. 12¼pc 1994	106½ xd	+	11.74	10.25
96	85	Treas 9pc 1994‡‡	96	.....	9.33	10.16
105	94	Treas 12pc 1995	105½	.....	11.33	10.16
87	73	Exch 3pc Gas 90-95	84	.....	3.57	7.51
100	88	Exch. 10¼pc 1995	100	−	10.21	10.15
109	97	Treas 12¾pc 1995‡‡	109	−	11.65	10.17
113	101¼	Treas. 14pc '96	113	−	12.36	10.49

Five to Fifteen Years

1990/91 High	Low	Stock	Price £	+ or −	Yield Int.	Red.
96¼	82	Treas. 9pc 1992-96‡‡	96¼ xd	.....	9.35	9.94
119	107	Treas 15¼pc 1996‡‡	119	−	12.78	10.35
111	99¼	Exch 13¼pc 1996‡‡	111	−	11.85	10.25
99	85½	Conversion 10pc 1996	99½	−	10.04	10.07
99	97	Do. 10pc 1996 A ●	99½	−	10.25	10.07
113¼	98	Treas 13¼pc 1997‡‡	113	−	11.72	10.26
101	87	Exch 10½pc 1997	101 xd	−	10.31	10.11
94	79	Treas 8¾pc 1997‡‡	94 xd	−	9.31	10.02
121	106½	Exch 15pc 1997	121	−	12.32	10.41
98	83½	Exch. 9¾pc 1998	98	−	9.92	10.09
85	70	Treas 6¾pc 1995-98‡‡	85	−	7.92	9.67
127	110¼	Treas. 15½pc '98‡‡	127	−	12.20	10.28
109	93¼	Exch. 12pc 1998	109	−	10.96	10.18
97	82	Treas 9½pc 1999‡‡	97	−	9.74	9.95
111	94	Exch. 12¼pc 1999	111	−	11.03	10.21
102¼	85	Treas. 10½pc 1999	102¼	−	10.27	10.09
101	84	Conversion 10¼pc 1999	100	−	10.18	10.12
94	78	Conversion 9pc 2000‡‡	94 xd	−	9.52	9.93
116	98	Treas. 13pc 2000	116	−	11.19	10.27
116	113¼	Do. 13pc 2000 A	116	−	11.19	10.27
100	82¼	Treas 10pc 2001	99 xd	−	10.02	10.04
118	102¼	Treas. 14pc '98-01	118	−	11.86	10.39
98¼	81¼	Treas 9¾pc 2002	98¼ xd	−	9.92	10.00
100	82	Treas 10pc 2003	100 xd	−	9.98	9.97
99	91	Treasury 10pc 2003 "A"	99 xd	.....	10.09	10.28
108	90	Treas. 11½pc 2001-04	107 xd	−	10.66	10.22
58	45	Funding 3½pc '99-04	57 xd	−	6.04	8.97
97	79	Conversion 9½pc 2004	96	−	9.83	9.94
97¼	79	Conversion 9½pc 2005	96	−	9.82	9.93
118	98	Treas. 12½pc 2003-05	117	−	10.62	10.00

Over Fifteen Years

1990/91 High	Low	Stock	Price £	+ or −	Yield Int.	Red.
85	69	Treas. 8pc 2002-06‡‡	84	−	9.42	9.90
112	93	Treas. 11¾pc 2003-07	112	−	10.49	9.99
90½	73	Treas 8½pc 2007 ‡‡	89	−	9.47	8.76
125	105	Treas. 13½pc '04-08	125¼	−	10.78	9.98
94½	77½	Treas. 9pc 2008 ‡‡	94	−	9.55	9.68
85	69	Treas 8pc 2009	85	−	9.37	9.70
94	77¼	Conv 9pc Ln 2011 ‡‡	93¾	−	9.60	9.70
63½	50	Treas. 5½pc 2008-12‡‡	62 xd	−	8.75	9.62
83	67¼	Treas. 7¾pc 2012-15‡‡	81	−	9.46	9.72
122¼	100	Exch. 12pc '13-'17	120	−	9.94	9.71

Undated

1990/91 High	Low	Stock	Price £	+ or −	Yield Int.	Red.
41	33	Consols 4pc	39¾	−¼	10.03	–
36	29	War Loan 3½pc‡‡	35¾	−	9.79	–
61	58	Conv. 3½pc '61 Aft	59¾	−	5.89	–
32½	26	Treas. 3pc '66 Aft	29¾	−	10.13	–
25¾	20	Consols 2½pc	25	−	9.98	–
25½	20¾	Treas. 2½pc	24	−	10.06	–

BRITISH FUNDS—Contd

Index-Linked

1990/91 High	Low	Stock	(b)	Price £	+ or −	(1)	(2)
126	110¼	Tr. 2pc '92‡‡	(97.8)	126¼ xd	.....	1.93	4.14
116	103¼	Do. 2 '94	(102.9)	116½	−	3.04	3.78
171	150½	Do. 2pc '96	(67.9)	170¼ xd	−	3.31	3.76
140	123	Do. 2½pc '01	(78.3)	139¼ xd	+	3.85	4.12
136	119	Do. 2½pc '03	(78.8)	135	+	3.95	4.18
137	122	Do. 2pc '06	(69.5)	137¼	+	4.01	4.19
127	113	Do. 2½pc '09	(78.8)	126¼	+	4.02	4.19
131	117	Do. 2½pc '11	(74.6)	130¼ xd	+	4.03	4.19
108	97	Do. 2½pc '13	(89.2)	108 xd	+	4.00	4.14
116	105	Do. 2½pc '16	(81.6)	116	+	3.96	4.10
113	102	Do. 2½pc '20	(83.0)	112	+	3.93	4.06
95	86	Do. 2½pc '24‡‡	(97.7)	94	+	3.88	3.99

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base for indexing, (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in January 1987. Conversion factor 3.945. RPI for June 1990: 126.7 and for January 1991: 130.2.

INT. BANK AND O'SEAS

1990/91 High	Low	Stock	Price £	+ or −	Yield Int.	Red.
101	84	African Dv Bk 11½ Ln 2010	101	−	10.94	10.90
98¼	80	Asian Dev Bk 10⅛pcLn2009	97	.....	10.50	10.54
112	80	Int-Am Dev Bk 12½pc 2003	111	−	11.20	10.74
92	76	Do. 9¾pc Ln 2015	92	−	10.55	10.63
110	55	Utd. Mexican States 16½pc 2008	109	.....	15.14	14.90

CORPORATION LOANS

1990/91 High	Low	Stock	Price £	+ or −	Yield Int.	Red.
104	86½	Birmingham 11½pc 2012	102½	.....	11.22	11.20
94½	84½	GLC 6¾pc 1990-92	94½ xd	.....	7.14	11.90
112½	95	Leeds 13½pc 2006	112½	.....	12.00	11.88
30½	25	Liverpool 3½pc Irred	29	.....	12.07	–
35	24	LCC 3pc '20 Aft	27	.....	11.11	–
98½	85½	Manchester 11½pc 2007	98½	.....	11.68	11.70

COMMONWEALTH & AFRICAN LOANS

1990/91 High	Low	Stock	Price £	+ or −	Yield Int.	Red.
206	206	S Rhod 2½pc Unassd	206	.....	–	–
84½	84½	Do. 4½pc 87-92 Asstd	84½	.....	5.33	9.33

LOANS

Building Societies

1990/91 High	Low	Stock	Price £	+ or −	Yield Int.	Red.
109	99½	B'wide Anglia 3¾pc Ln 2021	103¼	+½	–	6.35
109	99½	Do. 4.25pcIL '24	106	+¼	–	5.92

Public Board and Ind.

1990/91 High	Low	Stock	Price £	+ or −	Yield Int.	Red.
55	41	Met. Wtr. 3pc 'B'	52	.....	5.77	9.70

FOREIGN BONDS & RAILS

1990/91 High	Low	Stock	Price £	+ or −	Div % Gross	Red. Yield
50	50	Greek 7pc Ass	50	.....	3.50	f7.00
50	50	Do. 6pc 28 Stb. Ass	50	.....	3	f6.00
50	50	Do 4pc Mixed Ass	50	.....	2	f4.00
80	80	Hung. '24 Ass	88	.....	2.75	f3.57
128¾	108	Hydro Quebec 15pc 2011	127¼	−	12.89	11.44

AMERICANS

1990/91 High	Low	Stock	Price £	+ or −	Div Gross	C'vr	Y'ld Gr's
24¾	18¾	Abbott Laboratories	23¼ xd	−	84c	–	1.8
610p	257p	Allegheny & W 1c	272p	+1	30c	–	5.6
10¾	543p	Amdahl 5c	807p	.....	10c	–	0.6
34½	21¾	Amer. Cyanamid $5	28¾	−	$1.35	–	2.4
21	8	Amer. Express 60c	13 xd	.....	92c	–	3.6
28¾	15¼	American T. & T. $1	17¼ xd	.....	$1.32	–	3.9
42¼	27¾	Ameritech $1	33¾	−	$3.16	–	4.7
586p	116p	Asiamerica Equity	222p	+14	–	–	–
19	8¾	BankAmerica $1	16 xd	−	$1.20	–	3.7
27¾	15¼	Bankers N.Y. $1	23 xd	−	$2.12	–	4.6
35¾	21	Bell Atlantic $1	25 xd	−	$2.36	–	4.7
36½	25	BellSouth Corp	26½	−	$2.68	–	5.1
13½	5¾	Bethlehem Steel $8	8½ xd	−	40c	–	2.5
19¾	816p	Bowater Inc	1271p	+1	$1.20	–	4.8
9	3	Brunswick 75c	6 xd	−	44c	–	3.5

AMERICANS—Contd

1990/91 High	Low	Stock	Price £	+ or −	Div Gross	C'vr	Y'ld Gr's
46¾	35	CPC Intnl. 25c	40½ xd	+	$2.00	–	2.5
930p	358p	California Engy	424p	+2	–	–	–
36	23½	Campbell Soup 15c	34½ xd	−	$1.16	–	1.7
21	5	Chase Manhattan $12½	7½ xd	.....	$1.20	–	8.0
12½	5	Chrysler $6¼	5	.....	$1.20	–	10.7
18¼	5	Citicorp $1	8½ xd	.....	$1.00	–	6.0
40	29½	Colgate-Palmolive $1	36	−1½	$1.80	–	2.5
12¼	386p	Cont'l Bank Corp $4	656p	−20	$1.00	–	8.0
268p	51p	Corporate Data Sciences	51p	.....	–	–	–
22¾	10¾	Dana Corp. $1	15½ xd	−	$1.60	–	5.4
768p	178p	Data General	466p	−13	–	–	–
29	18½	Dun & Bradstreet $1	23½	−½	$2.12	–	4.6
37	21	Eaton Corpn. 50c	29	.....	$2.20	–	3.8
10	4¾	Echlin Inc	6¼ xd	.....	70c	–	5.8
22¼	13¼	FPL Group 1c	15¼ xd	+	$2.36	–	7.6
29	15	Fluor Corp 62½pc	22½ xd	−	32c	–	0.7
30	12	Ford Motor $1	15 xd	.....	$3.00	–	9.8
41	25	Gen. Elect. 63c	34 xd	.....	$2.04	–	3.0
441p	205p	General Host Corp $1	367p	+8	32c	–	4.4
35	25	Gillette $1	34½	−	$1.08	–	1.6
315p	22p	Gt American Bank $1	70p	+7	–	–	–
20	10¼	Greyhound Dial $1½	14½ xd	−	$1.32	–	4.8
12½	583p	Hasbro Inc 50c	12	−½	20c	–	0.8
30	18	Honeywell $1½	26½ xd	−	$1.50	–	2.9
21	16	Houston Inds.	18	.....	$2.96	–	7.9
74	49	IBM Corpn $1¼	67 xd	.....	$4.84	–	3.6
35½	14	Ingersoll-Rand $2	22½ xd	−	$1.32	–	3.0
25½	12	Lockheed Crpn. $1	20½ xd	.....	$1.80	–	4.5
11	7	Lone Star Inds $1	7½ xd	.....	$1.90	–	12.9
28	18	Louisiana Land 15c	19	−	$1.00	–	2.6
29	939p	Lowe's 50c	1513p	−14	52c	–	1.7
22	8	Manuf. Hanover $1	12½ xd	−½	$3.28	–	13.3
16	8	Merrill Lynch $1	14½ xd	+	$1.00	–	3.4
14	8	Molex Inc	14	−	4c	–	0.1
27	16	Morgan (JP) $2½	24 xd	.....	$1.98	–	4.1
30	21	Morris (Philip)	38½ xd	.....	$1.72	–	2.8
56	34	NYNEX $1	38	.....	$4.56	–	6.1
21	919p	PHH Corp.	13	−	$1.60	–	4.5
23	13	Pall Corp. 25c	23	−	66c	–	1.4
55	32	Pennzoil 83 1/3c	34½ xd	−	$3.00	–	4.4
35	21	Quaker Oats $5	26 xd	.....	$1.56	–	2.9
32	19	Rep NY Corpn $5	28½ xd	−	$1.40	–	2.5
16	10	Rockwell Intl. $1	13 xd	−	86c	–	3.3
25	11	Sears, Roebuck 75c	15 xd	.....	$2.00	–	6.6
40	24	Southwestern Bell $1	28½ xd	−	$2.76	–	4.9
25	13	Sun Co. Inc. $1	15½ xd	−	$1.80	–	5.9
31	15	TRW Inc. 62½c	20 xd	−	$1.80	–	4.4
42	20	Tenneco $5	25 xd	−	$3.20	–	6.5
37	28	Texaco $6.25	30½ xd	−	$3.20	–	5.3
25	12	Texas Instr. $1	20 xd	−	72c	–	1.8
81	34	Time Warner $1	55 xd	−2½	$1.00	–	0.9
18	7	TRINOVA Corp.	11 xd	−	68c	–	3.0
22	14	USX $1	15 xd	.....	$1.40	–	4.6
408p	269p	Unilab	283p	.....	–	–	–
36	21	Utd. Technologies	23 xd	.....	$1.80	–	3.9
149p	51p	Utilitech Inc	51p	.....	–	–	–
25	16	US West	20½	.....	$2.00	–	5.0
25	14	Waste Management $1	20	−	36c	–	0.9
20	907p	Whirlpool $1	1223p	−70	$1.10	–	4.6
20	12	Woolworth $3½	17½	+	$1.04	–	3.0

CANADIANS

1990/91 High	Low	Stock	Price £	+ or −	Div Gross	C'vr	Y'ld Gr's
9½p	1p	Abbot Energy Corp	9p	–	–	–	–
12½	896p	Amer. Barrick Res	1035p	−3	–	–	–
17½	11	Bk. Montreal	14¼	−	$2.12	–	6.3
883p	464p	Bk. Nova Scot.	633p	+4	$1.00	–	6.9
819p	609p	BC Gas $1	640p	+2	60c	–	4.0
24½	15½	BCE	18½	.....	$2.56	–	6.0
14½	616p	Brascan	761p	−12	$1.04	–	5.9
148p	19½p	Breakwater Res	21p	+1	10c	–	20.9
17½	954p	Can.Imp Bank	1327p	−19	$1.32	–	4.4
14	775p	Can. Pacific	967p	−18	92c	–	4.2
37	30	Do. 4pc Deb £100	36	.....	Q4%	–	11.1
531p	157p	Central Cap 'A'	230p	+1	60c	–	11.5
428p	179p	Cons TVX Min	285p	.....	–	–	–
579p	158p	Corona Corp	208p	−4	–	–	–
510p	246p	Dorian Inds	296p	+1	28c	–	4.2
12¼	384p	Echo Bay Mines	408p	−7	7½c	–	0.9
355p	135p	ECO Corp	153p	.....	–	–	–
313p	95p	Gandalf Techs. Inc	146p	+1	–	–	–
141p	53p	Granges Expl.	71p	+2	–	–	–
866p	362p	Gulf Canada	426p	−1	52c	–	5.4
14	875p	Hawker Sid Can	11	.....	$1.08	–	4.2
11¾	703p	Hudson's Bay	1147p	−35	80c	–	3.1
34½	24¼	Imperial Oil	26	−	$1.80	–	3.0
17½	11¼	Inco	15¼	−	$1.00	–	2.8
113p	2½p	Muscocho Expln	3p	.....	–	–	–
200p	8p	Nth West Gold	8p	.....	–	–	–
462p	329p	Nova Corp of Alberta	391p	+1	42c	–	4.8
14	701p	Rio Algom	838p	−3	85c	–	4.5
13½	862p	Royal Bk. Can.	1092p	−2	$1.16	–	4.7
97½p	8p	Sonora Gold Corp	13p	+2	–	–	–
35½p	2p	Tam Pure Tech. Corp	8½p	.....	–	–	–
11	652p	Toronto-Dom. Bk	838p	−2	76c	–	4.0
929p	663p	Trans Can Pipe	737p	+4	72c	–	4.3
200p	87½p	Varity Corp	127p	−3	$1.30	–	–

Continued on next page

LONDON SHARE SERVICE

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BANKS, HP & LEASING

1990/91 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
£13⅛	£9	ABN Amro Fl5....	£9½	.....	Q28%	2.1	8.8	5.3
303	121	ANZ SA1..........	140	+2	Q38c	1.9	11.1	4.8
267	172	Abbey National 10p. α	254	–7	5.7	4.3	3.0	10.3
*274	126	Allied Irish Ord.....α	157	+2	tQ40%	3.3	5.7	7.1
85	47	Anglo Irish.... ..y	57	.....	Q18.6%	2.3	7.3	7.5
93	56	Ansbacher (H.) 1p....β	56	–2	2.5	1.3	6.0	16.1
£71¼	£32¾	Bancaire Cie Fr100....	£52¼	+⅛	tQ12¼%	–	2.5	–
£22⅞	£12½	Banco Bilbao Viz....	£15⅝	+¼	Q49.1%	2.7	5.2	7.1
£58¾	£21½	Banco de Santander ..	£24½	.....	Q28.7%	2.3	5.0	8.5
286	130	Bank Ireland IrE1....α	167	.....	Q14.7%	2.9	7.9	5.9
£19½	£18	Bank Leumi........	£19½	.....	–	–	–	–
351	320	Bank Leumi (U.K.)£1....	350	.....	16.0	–	6.3	–
134	100	Bank Scotland ... α	129	+1	†4.55	3.4	4.7	8.2
104	83¾	Do 9¼pc Irrd Pf £1 y	103¼	.....	9¼%	–	11.9	–
107¼	99½	Do 9¾pc Irrd Pf £1 y	107	+½	9¾%	–	12.1	–
54	39	Bank of Wales.......	39	–3	2.8	0.8	9.6	(18.7)
428	290	Barclays £1..... α	388	–12	†u19.57	3.5	6.7	5.4
22	9	Benchmark 20p....α	9	.....	0.75	–	11.1	–
335	195	Brown Shipley £1....β	210	.....	‡12.0	2.2	‡	6.8
*436	285	Cater Allen £1 ... β	436	+2	F24.5	–	7.5	–
179	29	Chancery.........α	36	–6	‡9.0	2.7	‡	1.4
£23¼	£14	Commerzbk DM10	£17⅝	+¼	Q18%	–	3.5	–
£13¼	620	Dai Ichi KBk Y50...	906	+3	Q17%	6.2	0.4	42.8
£319¾	£129¼	Deutsche Bk DM50..	£227¼	+3⅞	Q28%	–	2.1	–
£20⅞	£14⅝	Espirito Santo	£16½	.....	Q75c	5.1	2.3	8.5
253	152	First Nat. Fin. 10p.. α	176	–2	13.0	1.2	9.8	(10.5)
121	73	FNFC 6.3pc Cr Pf £1 y	92	–1	6.3%	–	9.1	–
£13½	633	Fuji Bank Y50......	977	–20	tQ17%	6.9	0.3	41.6
325	262	Gerrard & National..α	319	+5	19.0	–	7.9	–
154	68	Guinness Mahon 10p β	68	.....	1.45	–	2.8	–
328	190	Hambros 20p. ...α	246	–3	†11.5	–	6.2	–
128	88	Do. 7.5pc Cr Pf £1. .y	110	.....	7½%	–	9.1	–
53½	29	HK & Shang HK$2.50..	36	.....	KQ39c	–	7.7	–
478	373	Joseph (Leo) £1.... β	378	.....	15.85	–	5.6	–
150	105	King & Shaxson 20p β	125	.....	10.25	–	10.9	–
422	249	Kleinwort Benson Grp α	317	–8	16.0	2.5	6.7	7.5
642	316	Kyowa Bank Y50	440	+2	Q14%	♦	0.7	♦
355	220	Lloyds £1 ....α	323	+1	†13.3	2.6	5.5	7.6
56	44	Lon Scot. Bank 10p α	49	.....	2.75	1.7	7.5	9.0
404	150	Midland £1.........α	173	–9	†18.0	2.6	13.9	3.6
£14½	£10⅝	Mitsubishi Bank Y50 ..	£10⅝	.....	tQ17%	♦	0.3	♦
£12¾	£4½	Mitsubishi Tst & Bk Y50 .	£7⅛	–¼	Q17%	12.4	0.6	14.3
£10⅝	£4⅞	Mitsui Taiyo Kobe Y50.	£7⅛	–¼	tQ16%	6.0	0.4	39.2
904	410	Mitsui Tst & Bk Y50	570	–10	Q17%	♦	0.6	♦
326	203	Nat Aust. Bk. A$1 .	245	+4	Q55c	1.5	9.1	7.3
368	227	NatWest £1. .....α	296	–3	†16.7	3.3	7.5	5.4
£210	£100	Ottoman Bank......	£105	.....	Q110%	2.8	10.5	3.4
55	24	Rea Bros. Group... α	26	.....	0.5	3.2	2.6	13.0
227	119	Royal Bk. Scotland . α	188	+4	8.4	2.3	6.0	9.6
795	338	Saitama Bank Y50 .	438	+4	♦Q14%	♦	0.6	♦
£12¼	567	Sanwa Bank Y50...	906	.....	Q17%	6.7	0.4	39.7
902½	613	Schroders £1 . β	710	+11	h12.5	5.9	2.3	9.6
712½	423	Do £1 N/V β	488	+15	h12.5	5.9	3.4	6.6
£25¼	£9¼	Sec Pacific $10.....	£12⅝	–1¼	Q52.52	–	10.1	–
616	205	Standard Chartd £1 α	273	–8	35.0	1.4	17.1	(5.1)
£16¼	£5⅞	Sumitomo Bank Y50.	£9⅛	+⅛	♦tQ16%	7.5	0.3	37.7
£11	£4⅞	Sumitomo Tst & Bk Y50	£6⅞	–⅛	Q17%	6.9	0.5	29.2
153	114	TSB .... α	149xd	+1	6.4	q2.1	5.7	11.1
175	112	TSB Bank Ch'nel Is'l β	134	.....	dQ8.0	3.8	6.0	5.4
£46¾	£4½	Tokai Bank Y50....	£6⅛	–⅛	Q16%	4.1	0.5	49.1
920	484	Toyo Tst & Bk Y50..	712	–7	tQ15.2%	6.9	0.4	34.0
611	499	Union Discount £1 . β	555xd		35.0	♦	8.4	♦
525	284	Warburg (S.G.). α	377	+1	15.0	3.0	5.3	8.5
180	98	Do 6pc Cnv Prf £1.. y	128	.....	6%	–	6.2	–
279	128	Westpac SA1 ...	164	+4	Q52.5c	1.2	13.0	6.3
420	286	Wintrust 20p..... β	310xd	+7	†8.7	4.3	3.7	8.2
969	509	Yasuda Tst & Bk Y50	677	–9	Q17%	5.9	0.5	33.9

Hire Purchase, Leasing, etc.

1990/91 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
175	40	CLF Yeoman 50p . α	50	.....	‡Q18.5%	3.2	‡	2.4
71	40	Cambridge Grp Ir5p ...	46	+1	†07½%	15.6	0.7	11.2
55	11	Capital Leasing Ir10p	37	–1½	‡Q012%	3.5	3.2	9.1
*84	46	Cattle's (Hldgs) 10p. α	61	.....	K3.8	1.9	8.3	9.3
426	362	Prov Financial ... α	422	–1	†20.5	2.1	6.5	9.7
*233	119	Reflex Invs. Ir5p	119	.....	‡g051%	7.9	2.0	8.7
225	192	Secure Trust Grp. 1p β	200	.....	†8.5	2.8	5.7	8.4
210	135	Woodchester IR20p y	176	+3	†Q16.7%	5.9	1.8	12.7

BEERS, WINES & SPIRITS

1990/91 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
524	408	Allied-Lyons. ..... α	502	–11	†16.95	2.3	4.5	10.8
£26¼	£18¼	Anheuser-Busch $1...	£23½	.....	Q51.00	–	2.2	–
1128	895	Bass ...... α	984	.....	32.4	2.9	4.4	10.1
170	124	Boddington ..... α	146	–1	†5.1	2.3	4.7	12.3
206	161	Bulmer(H.P.) 5p. .β	189	–3	†7.65	1.7	5.4	12.7
227	105	Burtonwood Brewery β	108	.....	3.98	3.1	4.9	7.8
400	290	Clark (Matthew). . β	379	+4	13.5	3.0	4.8	9.1
286	115	Devenish (J.A.) 5p.. α	156	–1	5.3	2.5	4.5	10.9
225	85	Do 4.5pc Cv 2ndPf £1.y	105xd	–5	4½%	–	5.7	–
167	93	Eldridge Pope "A" 50p β	103	–2	4.1	–	5.3	–

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS – Contd

CHEMICALS, PLASTICS

DRAPERY AND STORES

ELECTRICALS

ELECTRICALS – Contd

ELECTRICITY

ENGINEERING

ENGINEERING – Contd

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS (Miscel.) – Contd

INSURANCES

LEISURE

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MOTORS, AIRCRAFT TRADES

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

PROPERTY

PROPERTY—Contd

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TOBACCOS

TRANSPORT

INVESTMENT TRUST

INVESTMENT TRUST—Contd

INVESTMENT TRUST—Contd

Net asset values supplied by County NatWest Wood Mackenzie

FINANCE, LAND, ETC

WATER

OIL AND GAS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

MINES—Contd

Tins

Miscellaneous

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha refers to shares traded through SEAQ by at least two marketmakers and with a normal market size of 2,000 or more, based on experience of how many of its shares are traded in the typical deal. β Beta refers to all other shares. γ Gamma refers to other traded instruments

Highs and lows are based on intra-day mid prices. Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current pre-closing share price The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- ● "Tap Stock"
- ° Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ◊ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ✣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Not officially listed.
- # Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- ♣ Not comparable
- ♠ Same interim; reduced final and/or reduced earnings indicated
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided.
- ‖ No par value

B.Fr. Belgian Francs. Fr. French Francs §§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1990-91. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1991. K Dividend and yield based on prospectus or other official estimates for 1990. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1991-92. N Dividend and yield based on prospectus or other official estimates for 1989-90. P Figures based on prospectus or other official estimates for 1991. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Craig & Rose £1.. β	675	......
Finlay Pkg. 5p.... β	33	......
Holt (Jos) 25p..... β	1308	......

IRISH

Cap. 8½% Ln. 1991..	£99½	......
9pc Cap Ln. 1996..	£96⅛	......
Fin. 13% 97/02..	£113	......
Arnotts..............	160	......
Carrol (P.J.)........	154	......
Helton Hldgs.......γ	40xd	......
IRG..................	132	......
United Drug........	135	......

TRADITIONAL OPTIONS

3-month call rates

Industrials

Industrials	p
Allied-Lyons	48
Amstrad	6
Astec (BSR)	4½
BAT	46
BOC Grp	28
BTR	25
Barclays	38
Blue Circle	19
Boots	29
Bowaters	43
Brit Aerospace	45
British Steel	10½
Brit. Telecom	25
Cadburys	28
Charter Cons	38
Comm Union	40
Courtaulds	28
Eurotunnel	35
FKI	5
FNFC	20
Gen Accident	41
GEC	15
Glaxo	68
Grand Met	51
Guardian	17
GKN	27
Hanson	16
Hawker Sidd	35
ICI	78
Ladbroke	22
Legal & Gen	32
Lex Service	17
Lloyds Bank	24
Lucas Inds	11
Marks & Spencer	19
Midland Bk	16
Nat West Bk	21
P & O Dfd	44
Racal Elect	16
RHM	23
Rank Org Ord	52
Reed Intnl	32
STC	19
Sears	7½
SmKl. Beecham A	41
TI	35
TSB	11
Tesco	19
Thorn EMI	55
Trust Houses	23
T&N	13
Unilever	52
Vickers	16
Wellcome	33

Property

Brit Land	24
Control Secs	3½
Land Securities	45
MEPC	38
Mountleigh	9

Oils

Aviva Petlm	3½
Brit Petroleum	27
Burmah Castrol	46
Conroy Petlm	15
Gaelic Res	1½
Premier	7
Shell	37
Tuskar Res	2
Ultramar	29

Mines

Lonrho	19
RTZ	48

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FINANCIAL TIMES
Weekend February 16/February 17 1991

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McDonald's discounts government food poison findings

By Clay Harris, Consumer Industries Editor

McDONALD'S, the US-owned fast food chain, yesterday tried to cast doubt on a British government report which linked nine recent cases of a rare but potentially lethal form of food poisoning to hamburgers cooked in one of its UK restaurants.

"The Department of Health has been unable to positively trace the source and it is not proven that McDonald's is the cause of this outbreak," the company said in a statement.

It said the bacterium in question, E. coli 0157, had not been detected in Department of Health tests in the restaurant in Preston, Lancashire, or at its meat supplier.

McDonald's said nonetheless it was slightly lengthening cooking times for its hamburgers as a "double assurance". E. coli 0157 is killed by thorough cooking.

The Public Health Laboratories Service, however, stood firmly behind its detailed investigation which found a "highly significant association" between the nine cases of food poisoning and the McDonald's restaurant in Preston.

Further tests on the E. coli 0157 isolated from the nine people, and five other victims in Preston who did not recall having eaten at McDonald's, revealed a common microbiological marker, the government agency said.

E. coli 0157 is one bovine strain of a family of bacteria which lives in the intestines of many animals, as well as benignly in humans.

The bacteria can contaminate meat through slipshod practice in abattoirs, and be spread further in mincing.

Food poisoning caused by the bacterium had already led to deaths in Britain, the Public Health Laboratories Service said, but the 20 most recent victims were recovering well.

The agency said it did not have precise figures of UK deaths. The infection leads to acute kidney failure in 6 per cent of cases, and 5 per cent of those people die, it said. This suggests death in three out of every 1,000 cases.

Last year, 380 cases were reported in Britain. Government scientists had been alerted to watch for E. coli 0157 because of a growing incidence in North America linked to hamburgers.

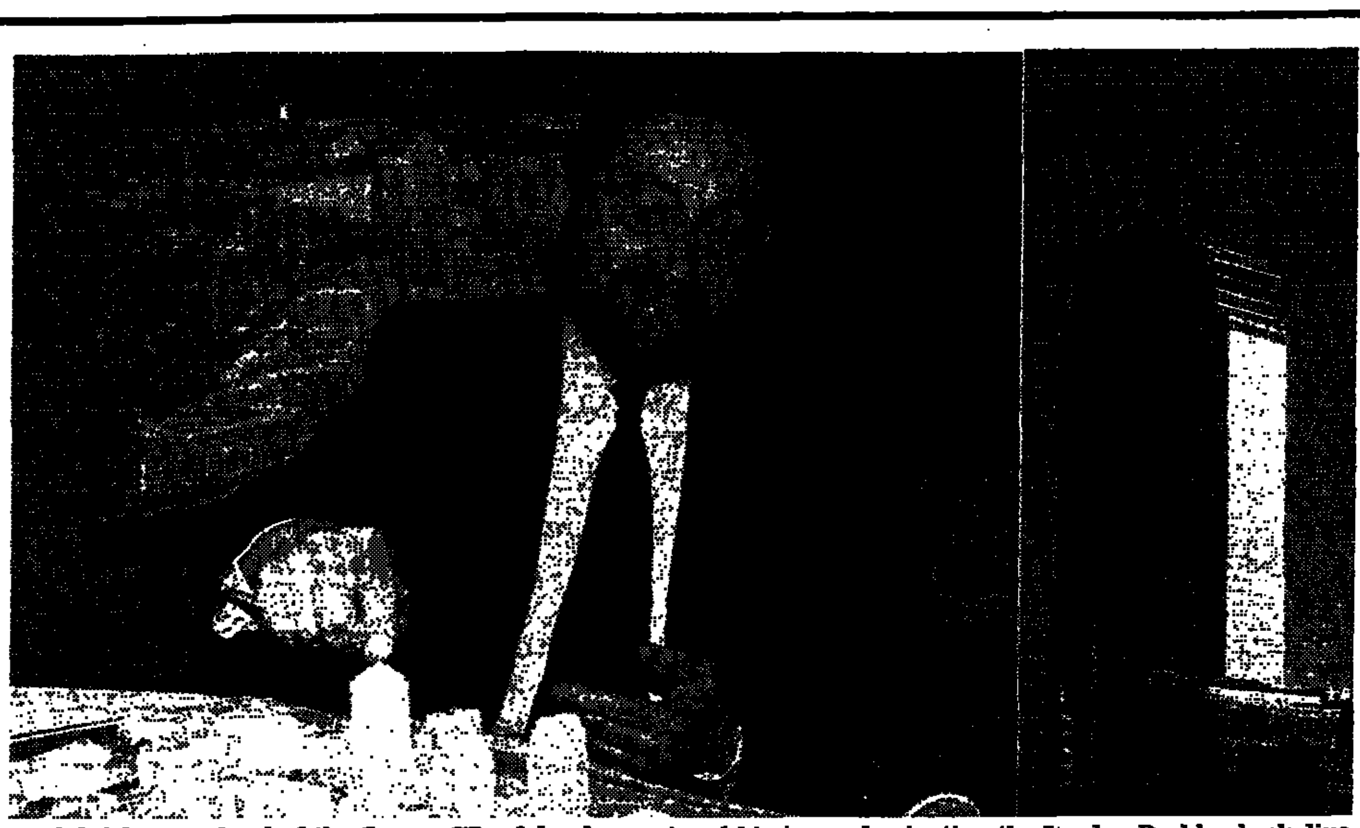
Two leading manufacturers of frozen beefburgers, Bird's Eye and Iceland Frozen Foods, said they routinely tested meat for the bacteria but had never found evidence of infection.

Mr David Edwards of the Food Hygiene Bureau, a food safety consultancy, said he did not believe E. coli 0157 was common in UK beef. But he added: "Sampling alone is never enough. It will never replace good practice".

McDonald's noted that one of the Preston victims was vegetarian.

However, health officials said secondary infection was possible, especially where small children were involved.

The Department of Health said it had long considered steak tartare a "high risk product". Rare steak, however, carried no danger of infection because the bacteria would be found only on the surface, where they would be killed by heat.



Paul Reichmann, head of the Canary Wharf development and his tower dominating the London Docklands skyline

Canary Wharf developers sell 9% holding in Allied-Lyons

Reichmanns raise £400m

By Philip Rawstorn in London and Bernard Simon in Toronto

THE Reichmann brothers, owners of Olympia & York, the Canadian developer of the Canary Wharf office complex in London's docklands, yesterday raised £403m from the sale of a 9 per cent stake in Allied-Lyons, the UK drinks and food group.

There appear to be two reasons for sale: first, a desire to retreat from an investment which has little in common with the Reichmann family's core real estate and natural resource businesses; and second, the high priority being given by the family to increase liquidity when other parts of its empire are being strained by the slump in the property market and commodity prices.

The financial condition of O & Y is a closely-guarded secret. But the Reichmanns are probably feeling pressure from the cost of developing Canary Wharf and the recession's impact.

The Reichmanns gained the holding when Allied issued 80.9m convertible preference shares to O & Y's subsidiary, GW Utilities, in 1987 as a £370m part payment for its minority shareholding in Hiram Walker, the Canadian drinks company.

While the Reichmanns have not been actively seeking a buyer for the Allied-Lyons shares, it has never considered the stake as a core, long-term investment. The prospect of such a large block coming to the market had overshadowed Allied's share price for the past six or seven weeks.

Mr Cliff Hatch, Allied's finance director, said: "O & Y have been good shareholders. But we are very pleased that the uncertainty surrounding our shares has now been dissipated; and that the O & Y stake has been widely distributed among the institutions."

Allied's shares which opened yesterday at 508p closed 6p down at 502p.

The placing of the stock – 80.9m converted preference shares – was made yesterday by brokers Barclays de Zoete Wedd, Cazenove, and Lehman Bros at 497½p among about 100 institutions.

City analysts suggested that the placing could satisfy demand for Allied's shares for some time but market attention would now refocus on the group's fundamentals. Pre-tax profits of £635m are expected for the year ending this month against £565m last time.

A GW Utilities official said the sale was "an opportunity to realise an attractive value for the holdings." Close to half the sale proceeds will be used to eliminate GW Utilities' UK bank debt.

Recession reduces US trade deficit

By Michael Prowse in Washington

THE US recession is leading to a sharp improvement in the country's trade deficit which could ease one of the long-standing sources of tension between the US and its trading partners.

After seasonal adjustment, the trade deficit fell to only $6.3bn (£3.2bn) in December, a 30 per cent improvement on the previous month's shortfall, which was revised down to $8.9bn. The non-petroleum deficit shrank to $1.9bn.

The Commerce Department said the improvement mainly reflected an 8 per cent fall in imports.

Separate figures confirmed that the US recession was continuing to bite hard at home. Industrial production fell 0.4 per cent in January, the fourth successive monthly decline. Figures for December were revised sharply down.

Wholesale prices also fell slightly, indicating an easing of inflation pressures.

Imports fell $3.4bn in December to $39.7bn, more than offsetting a $0.7bn decline in exports to $33.5bn. Two thirds of the fall in imports was accounted for by reduced demand for a wide range of industrial and consumer goods.

The petroleum import bill, however, also fell by $1.1bn to $5.2bn.

The trade deficit for 1990 as a whole was $101bn, only a slight improvement on the 1989 shortfall of $109.4bn. An improving trend in the US trade figures, however, was masked last year by the sharp increase in oil prices following Iraq's invasion of Kuwait. Last year's non-petroleum deficit was $46.3bn – nearly 30 per cent lower than in 1989.

Many economists expect the combination of recession and the lagged effects of dollar depreciation to result in a marked reduction in the trade deficit this year.

The US may, however, continue to experience tensions with some trading partners, particularly in Asia.

US production falls, Page 8

Keen demand signalled for generators

By Clare Pearson

RESULTS OF the first round of bidding for shares in the electricity generators provided encouraging signals for this month's privatisation flotation with institutions standing ready to underwrite at keen share prices.

Demand from institutions is sufficient to sell all the shares in National Power and PowerGen at a price to give a gross dividend yield of 6.3 per cent. There would be demand for twice as many shares as are on offer at a yield of 6.5 per cent.

This means the government will be able to raise £2bn or more from the flotation of 60 per cent of the two companies' shares, against an earlier expected £1.8bn. Competition for shares will intensify on Monday when the second round of bidding by UK and overseas institutions opens.

The government will analyse the results before taking the decision on where to pitch the fixed price at which all the shares will be sold. This will be announced on Friday.

Since he is hoping to sell between 30 and 50 per cent of the shares to the public, Mr John Wakeham, the energy secretary, is not likely to set the price at the highest level he could achieve with the City.

Ahead of the deadline for registrations last night, about 250,000 private investors had expressed interest in buying the generators' shares. That is in addition to the 7.4m registrants automatically carried forward from the regional companies' shares.

Advisers said yesterday they were pleased with the enthusiastic response of UK institutions to the novel bidding process where would-be underwriters have to say exactly how much stock they are prepared to buy at different price levels.

Kleinwort Benson, financial adviser to the government, was last night considering where to set the new range for the second round of bidding.

Shares in the generators are valued by the City on a notional gross yield. That is based on the dividends the companies say they would have paid for this financial year if they had already been privatised.

When it opened the book on Wednesday morning, the government said the lowest bids it would consider would be those to buy the shares on a yield of 7.2 per cent. The top end of the range, which would give the highest proceeds, was set at 6 per cent. There will be no set range for the second round.

CHIEF PRICE CHANGES YESTERDAY

FRANKFURT (Dm)			
Rises			
BMW	460.5	+	27.7
BHF-Bank	408	+	15
Hoechst	236.5	+	10.9
Karstadt	588	+	27.5
Mercedes	433.5	+	13.5
Volkswagen	355	+	16.7
NEW YORK ($)			
Rises			
Apple Comp.	57¾	+	⅝
Corp.Sftware	11	+	2½
Harley-Dvdsn	25⅞	+	1⅜
Philip Morris	61⅝	+	1¾
Falls			
Dresser Inds	23½	–	¼
Schlumberger	59⅞	–	1¼
PARIS (FFrs)			
Rises			
Accor	701	+	19
LONDON (Pence)			
Rises			
BAA	378	+	14
Berkeley	268	+	13
Brit Dredging	128	+	13
Christies Intl	194	+	11
de Morgan	9	+	5½
Fisons	415½	+	12½
Helical Bar	170	+	24
Memec	160	+	11
Micro Focus	1003	+	55
P & P	101	+	21
Rothmans B	770	+	26

New York prices at 12.30.			
Eurocom	770	+	30
Immobanque	696	+	26
Paribas	459.7	+	17.2
UFB Locabail	268	+	17
Falls			
Union Immob	566	–	13
TOKYO (Yen)			
Rises			
Konica	1020	+	105
Kureha Chem	660	+	45
Yasukawa El.	785	+	25
Falls			
Central Fin.	620	–	25
Ihara Chem.	660	–	17
Itoman	540	–	21
Taylor Woodrow	265	+	16
Wiggins	18	+	6
Falls			
Alex. Workwear	147	–	12
Barclays	388	–	12
Brit Aerospace	554	–	17
Haynes Publshg	133	–	32
Midland Bank	173	–	9
NSM	18½	–	2½
Smith (WH) A	343	–	10
Wellcome	498	–	27

War continues

Continued from Page 1

der Bessmertnykh, the Soviet foreign minister, said the Iraqi offer of withdrawal "opens up a new stage in the development of the conflict. This is an important beginning".

President Mikhail Gorbachev's special envoy, Mr Yegeny Primakov, met the Iraqi leader this week in Baghdad and said afterwards he noted a slight "flexibility" in Mr Saddam's position.

The Soviet Union, with its close military ties to Iraq, has been long seen as a possible mediator.

It was not clear yesterday to what extent Mr Saddam had acted alone or under Soviet prompting.

Iraq's offer, in the name of the RCC, not of Mr Saddam, said the aim was to achieve "an honourable and acceptable solution" in the context of UN resolution 660. Much of the Iraqi wording appeared deliberately ambiguous.

Thus even though it specifically referred to withdrawal from Kuwait, it still talked of guaranteeing "all Iraq's historical rights on land and in the sea in their entirety".

This could be taken as an attempt to retain control of the islands of Bubiyan and Warba and the Rumeila oilfields that straddle the Kuwaiti-Iraqi frontier historically claimed by Iraq.

In Riyadh, the allies continued their air bombardment of Iraq and Kuwait yesterday. American and British commanders said President Saddam Hussein was untrustworthy and his military machine was still dangerous.

Inflation

Continued from Page 1

monthly fall since May 1921. Household goods such as furniture and electrical appliances saw prices come down by 1.5 per cent, the largest reduction since records for these items began in 1956.

Last month's decline was helped by a lower rise in the prices of seasonal foods than is usual in January, and a reduction in petrol prices.

The fall would have been greater but for a 3.6 per cent increase from December to January in travel costs, largely because of increases in rail fares.

Overall, the retail prices index increased 0.2 per cent over the month, bringing this from 129.9 in December to 130.2 in January, starting from a base of 100 in January 1987.

WORLDWIDE WEATHER

UK today: colder than Friday in southern parts, but the thaw will continue with local rain or drizzle and overcast skies in England and Wales. Some bright intervals and isolated wintry showers in eastern districts and eastern Scotland. Outlook: overnight fog and frost clearing to give dry and brighter conditions.

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	10	50	Bordeaux	C	5	41	Dallas †	S	2	36	Innsbruck	F	0	32
Algiers	C	9	48	Boulogne	R	4	39	Dublin	C	10	50	Inverness	C	3	37
Amsterdam	Sn	0	32	Bristol	C	8	46	Dubrovnik	S	4	39	Isle of Man	C	8	46
Athens	S	18	64	Brussels	Sn	-1	30	Edinburgh	C	4	39	Istanbul	F	13	55
Bahrain		–	–	Buenos Aires		–	–	Faro	S	12	54	Jersey	Dr	8	46
Barcelona	S	7	45	Budapest	S	-3	27	Florence	S	6	43	Johannesburg	C	23	73
Belfast	C	8	46	Cairo	S	26	79	Frankfurt	Sn	-1	30	Las Palmas	C	18	64
Belgrade	C	-3	27	Cape Town	S	21	70	Geneva	F	-1	30	Leeds	C	5	41
Berlin	C	-1	30	Cardiff	Fg	8	46	Gibraltar	S	14	57	Lisbon	S	10	50
Biarritz	S	8	46	Chicago †	C	-15	5	Glasgow	Fg	3	37	Locarno	S	5	41
Birmingham	Dr	7	45	Cologne	Sn	1	34	Guernsey	Dr	9	48	London	C	8	46
Blackpool	Dr	6	43	Copenhagen	C	0	32	Helsinki	Sn	-4	25	Los Angeles †	S	14	57
Bombay	S	29	84	Corfu	C	7	45	Hong Kong	S	18	64	Luxembourg	Sn	-3	27

		°C	°F			°C	°F			°C	°F			°C	°F
Madeira	C	15	59	Nairobi	S	28	82	Prague	F	-3	27	Tangier	S	15	59
Madrid	S	4	39	Naples	S	8	46	Reykjavik	S	2	36	Tel Aviv		–	–
Majorca	S	10	50	Nassau		–	–	Rhodes	C	16	61	Tenerife	C	17	63
Malaga	S	13	55	Newcastle	C	3	37	Rio de Janeiro		–	–	Tokyo	R	7	45
Malta	F	13	55	New Delhi	S	21	70	Rome	S	9	48	Toronto †	Sn	-11	12
Manchester	Dr	7	45	New York †	C	3	37	Salzburg	C	-3	27	Tunis	F	8	46
Melbourne	C	17	63	Nice	F	9	48	S'Francisco †	S	11	52	Valencia	S	10	50
Mexico City		–	–	Nicosia	S	19	66	Santiago		–	–	Venice	S	3	37
Miami †	C	17	63	Oporto	S	10	50	Seoul	R	3	37	Vienna	S	-1	30
Milan	S	1	34	Oslo	C	-8	18	Singapore	F	31	88	Warsaw	C	-5	23
Montreal †	Sn	-7	19	Paris	Sn	-2	28	Stockholm	Sn	-7	19	Washington †	S	1	34
Moscow	C	-4	25	Peking	C	6	43	Strasbourg	F	0	32	Wellington	F	22	72
Munich	C	-2	28	Perth	S	28	82	Sydney	C	24	75	Zurich	F	-2	28

Temperatures at midday yesterday † Noon GMT temperatures C–Cloudy Dr–Drizzle F–Fair Fg–Fog H–Hail R–Rain S–Sunny Sl–Sleet Sn–Snow T–Thunder

THE LEX COLUMN

London pulled two ways

The London equity market is delicately poised between opposing forces. On three days out of the past four, the FT-SE index has struggled through the 2,300 mark only to relapse. President Saddam's red-herring surrender yesterday caused only a momentary stir. The confirmation of a fall in UK inflation to 9 per cent produced no response at all.

On the other hand, there is an enormous appetite for stock. Yesterday's £400m placing of Allied Lyons stock seems to have been almost instantaneous, despite being priced at a mere 3 per cent discount to the market. This month has seen similar gulping down of chunks of Vickers, RHM and William Low, to say nothing of rights issues ranging from enormous Tesco to unpalatable Wickes. Other companies, such as Tarmac, have been at pains to deny they are planning issues of their own. In such a market, one wonders why they bother.

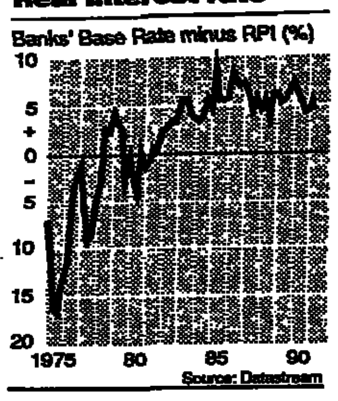
The key to this apparent paradox seems to be that fund managers are sufficiently convinced of the market's cheapness to be unwilling to sell to each other except at inflated prices, and not convinced enough to pay these prices themselves. The basis for their irresolution is by now familiar. There is a nagging feeling that at this point in a recession the market ought to be looking forward to recovery. This is what Wall Street seems to be doing, and Wall Street could be right.

On the other hand, the UK market is aware that ERM membership weakens its historic linkage with the US market. More important, it also suspects that the ERM straitjacket makes the length and depth of the UK recession impossible to predict. In the last six months or so UK bonds have enjoyed a traditional recessionary rally, as a result of monetary conditions being tightened to combat earlier inflationary excess. Traditionally equities should now be catching up, as monetary conditions are loosened again to stimulate the economy. The snag is that UK monetary policy is now determined by the economic circumstances of Germany, which if anything is still in a cyclical upswing.

On top of everything, the market is highly nervous of the forthcoming results season. A year ago, typical brokers' predictions were for corporate earnings growth in 1990 of 10 per cent. The reality looks more like a fall of 5 per cent. As the market is also aware, the real downturn in earnings last time round was not in the recession year of 1980 but in 1981, when industrial earnings fell by 16 per cent.

FT-SE Index: 2,296.9 (+2.5)

Real interest rate



But as James Capel points out, the market is different this time. Overseas profits then were 33 per cent of the total and now are 55 per cent. A fifth of the market by value is new, consisting largely of privatised utilities. Electricals, electronics, engineering and aerospace are half as important now as then, while the weighting of recession-resistant sectors like healthcare and food retailing has nearly tripled. But the market knows the reasons for being cheerful. Its problem is knowing what it is afraid of.

O&Y

Imagine a pension fund manager telling his superiors that he has ditched their entire stake in dear old dependable Allied Lyons and sunk the proceeds in unfinished, half-let office blocks two miles east of London's Tower Bridge. The fund manager concerned would be lucky to make it through lunchtime, let alone the next trustees' meeting. Britain's brewers may be going through a sticky patch, as witnessed by Bass's profits warning, but the long-term dividend paying power of an Allied is not in doubt. Tower blocks in Docklands, even when half-filled with Wall Street investment bankers, are another matter.

Only the Reichmann family, which controls Olympia & York, knows if that is a fair characterisation of yesterday's deal in which O&Y's offshoot GW Utilities sold its 9 per cent of Allied. The £395m cash released by the transaction may or may not be destined for Canary Wharf; O&Y's house has many mansions – in oil, gas, US and Canadian real estate. As for speculation that O&Y is financially stretched, Mr Paul Reichmann insists otherwise, and O&Y's balance sheets are private.

That is not the point, anyway. On any hard-headed view it seems unlikely that Canary Wharf makes sense as an investment: certainly not as much as brewing or food manufacturing. Initial rents are at best £30 per square foot; the first rent reviews are apparently not due for 10 years; and base rates were stuck at 15 per cent during much of the construction phase. However fine the view from Canary Wharf, the laws of discounted cash flow suggest the Reichmanns should have left the site in its original splendour.

UK farming

It is not easy these days to construct a case for investing in UK agricultural land. Real farm incomes fell by at least 15 per cent during 1991, and the portents for this year are hardly encouraging. The Common Agricultural Policy is bust. The United States continues to bombard the EC with well-directed attacks on European farm subsidies. The Irishman in charge of the unhappy mess appears bent on reforms which will handicap Britain's relatively large scale farmers.

Farm income, though, is just one of several influences on land prices. There is the perennial middle-class urge to own a piece of the countryside. There is the appeal of farm buildings as homes, which had a distorting effect during the last house price boom. And there are fiscal dodges, notably capital gains tax rollover relief, which contributed to a 40 per cent jump in values between 1986 and 1989. City institutions drove up prices in the late 1970s and early 1980s; but investment managers are now highly selective and would seem to have been net sellers of agricultural land over the last five years. The 3.2 per cent per annum real fall in the value of vacant possession land between 1979 and 1989 hardly argues for a change of mind.

There is something for the optimists in the correlation between rising values and falling interest rates. In the meantime, the income fundamentals must ultimately show through. UK farmers have seen their interest payments jump 50 per cent over the last two years. According to Savills, debt servicing payments averaging £67 per acre may not be sustainable. There is no question of crying wolf any more.

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Weekend FT

SECTION II

Weekend February 16/February 17 1991

Generals on a mission for old glory

*Colin Powell can exorcise Vietnam and revive the tradition of Grant and Eisenhower, writes **Lionel Barber***

FLANKED by four military bodyguards in civilian clothes, each carrying an AF-15 assault rifle, General Norman Schwarzkopf comes barrelling through the Saudi desert like an M-1 tank.

As he fires off morale-boosting salvoes, the commander-in-chief of allied forces slips off his sunglasses, and offers a steely smile to the waiting TV cameras. At 56, Schwarzkopf has become a celebrity.

Six months ago, after a life-time in the US army, "Stormin' Norman" was preparing for retirement in Tampa, Florida, with his wife, three children, and pet python. Hours after Iraq invaded Kuwait, he was briefing President Bush on a military response; in less than two weeks he was in Riyadh in charge of Operation Desert Shield. Now after 30 days' bombing, the enemy shows signs of cracking.

Iraq's offer yesterday to withdraw from Kuwait appears to bring the US-led coalition within reach of a famous victory, achieved with high technology and low allied casualties by a battle plan largely devised by Schwarzkopf. The plan depended on two crucial lessons learned from Vietnam: to deploy the full weight of US military power, and to minimise political interference.

Any judgment at this stage must be provisional. President Saddam Hussein remains a master of the propaganda ploy. His attempt to link retreat with the a withdrawal of Israel from the occupied territories may prove yet another ruse of war. A complete resolution of the conflict may also require his removal from power.

But these are political questions for President George Bush. The US military must deal with more practical questions such as the speed and conditions of a retreat by Saddam, if he does retreat. If Saddam sticks to his pledge, General Schwarzkopf may rank alongside Dwight Eisenhower, Ulysses S. Grant, the famed Union commander in the Civil War who became President, and George Patton as one of the great US field commanders in history – in stark contrast with William Westmoreland, the Vietnam veteran, who became a focus of national shame and military failure.

The next few days may also prove a turning point for the collective reputation of the US high command. The Gulf war offered the first serious test of American generalship since the debacle in Vietnam. The generals' goal has been to ensure that this time they should be allowed to fight on their own terms, without being second guessed by Washington.

The men running this vast military machine are a new intellectual breed, with a common legacy: Vietnam. The Gulf generals, all in their early 50s, were young lieutenants and majors in Vietnam. Men such as Major General Barry McCaffrey, commanding the 24th infantry, who was hit three times and had most of his right arm blown away. Another, Lt Gen Frederick Franks, commanding officer in charge of the Seventh Army Corps, lost most of his right leg.

Lt Gen Bradley Hosmer, inspector general of the US Air Force in Washington, flew more than 160 combat missions attached to the 1st Air Cavalry Division in Vietnam. "There was never any indication that we (the US) were serious about that war on a political level, meaning a commitment to paying for it, to describing its purposes or its objectives," he says.

In a recent interview Schwarzkopf strongly criticised the gradual build-up of forces by Westmoreland, the army field commander in Vietnam. "I can still remember him saying 'The light is at the end of the tunnel, just give me a hundred thousand more,' and then he got a hundred thousand more and he said, 'the light is at the end of the tunnel, all I need is a hundred thousand more,'" said Schwarzkopf.

In Operation Desert Shield, Schwarzkopf and Colin Powell, chairman of the joint chiefs of staff, persuaded Bush to give them what they wanted – and more. By the end of this week, US forces totalled more than 505,000 soldiers, sailors and airmen; more than 1,800 warplanes and 120 warships, as well as 200,000 allied troops, spearheaded by a 40,000-strong contingent of British ground forces. President Bush has remained aloof, allowing his generals to pursue their campaign within a broad political framework. Bush spend hours on the telephone – but to other world leaders, not to the field commanders.

General Larry Welch, recently retired as US Air Chief of Staff, says the lack of political interference from Washington is crucial to the success, so far, of the Gulf war. "Every captain in Vietnam knew he was doing things every day that did not make any goddam military sense. President Lyndon Johnson used to boast that no North Vietnamese target was hit without his approval – and that was true."

Welch recalls flying an F-4 interceptor on a bombing mission over Haiphong; it was the wrong plane, carrying the wrong payload, unable to strike the right targets. "We did not provide the troops with the quality of equipment that our society was capable of producing," says Welch, who now heads the Virginia-based Institute of Defence Analysis. "There has been an intense effort to correct this."

For all its undisputed waste, the Reagan (and late Carter administration) rearmament programme helped to develop and manufacture the kind of weapons being used to such devastating effect against Iraq: the F-117-A Stealth fighter, the Tomahawk cruise missile and the latest F-15 bombers which, in one sortie, can deliver the same size payload as a squadron of World War II bombers.

The senior commanders among the 1,088 generals and admirals in the 1.7m–strong US armed forces can be divided into three rough groups. First, the "thinkers" such as General Lee Butler, commander of the Strategic Air Command in charge of the nuclear deterrent, a graduate in international affairs at the University of Paris and the man who helped mastermind the post-Cold War re-organisation of US forces; second, the "warriors", such as Marine Commandant Al Gray, who strides around Washington in battle-fatigues; and third, the "politicos" such as Powell, national security adviser to President Reagan, and the first black to rise to chairman of the Joint Chiefs, the highest ranking military post.

Broad generalisations are, however, misleading. Powell, aged 53, has extensive field experience in Europe, South East Asia and the US, which helped to catapult him to the top. General Schwarzkopf, nicknamed "the Bear", appears to epitomise the fighting general, but he loves ballet, speaks French and German and has a degree in guided missile engineering.

The modern US general is a lot more rounded than his predecessors; as much a manager of resources as a leader of men. Strip off their uniforms and some of the US commanders in Saudi Arabia might pass for corporate executives.

"These people are articulate, bright and career-oriented," says Martin Binkin, a retired Air Force colonel at the Brookings Institution. "The American public is being introduced to a cast of characters in the Gulf war who do not fit the stereotypical image of military leaders as cigar-chewing crazies from *Dr Strangelove*."

"It is not enough to be a bulldog," agrees Eugene Rostow, a guiding force in national security affairs from the Truman to the Reagan administrations who later lectured at the National Defence University in Washington DC, the classroom attended by the military's best and brightest officers.

More than 40 years ago, George Kennan arrived at the National Defence University to write his thesis on the containment of Soviet power, the cornerstone of US foreign policy for almost half a century. Today, the university's war college is preparing the next generation with a mixture of political science, military doctrine and public diplomacy.

Most of the students are battalion-size commanders; many arrive with a hostile attitude to the US Congress and the US press, says Professor Al Pierce, a former NBC news Pentagon correspondent who teaches military strategy.

"I start by saying we can all agree that the Soviets are Public Enemy Number Three, but I end up pointing out that if you have got a problem with the press, you've got a problem with the Founding Fathers."

Far from inculcating a Prussian-style discipline, the aim is to encourage flexible thinking and broaden horizons. A few years ago, Petra Kelly, the anti-nuclear Green politician from Germany, was invited to give a lecture; so too were representatives of the Catholic bishops.

The students' diversity reinforces the conclusion that, however large the US military may be, there is little evidence of a homogeneous officer corps. This should not come as surprise, since the existence of a standing army in the US is a relatively recent phenomenon, a product of the Cold War and the creation of a national security establishment under President Truman in 1947. But other factors are at work, too.

In Britain, institutions such as Sandhurst often recruit candidates whose families are steeped in the military tradition. But in the US, fewer than 20 per cent of male (and female) officers are second generation; General Schwarzkopf, a West Point cadet whose father was a brigadier general, is an exception. Class considerations count for less in the US. The individual service academies in the US, while still prestigious, have declined in influence,not least because rival organisations have competed to supply officers.

Many of today's (and tomorrow's) military leaders come from the universities, both public and private, through a programme known as the Reserve Officer Training Corps. The scheme provides Federal government financing for a college degree, at the end of which candidates serve between four and five years in the army, navy, air force or marine corps.

Although the importance of ROTC may itself decline and service academies increase as a result of the planned shrinkage in US forces in the '90s, the programme underlines how the US armed services continue to be a vehicle for upward social mobility. Blacks, who number almost a third of the total US force in Saudi Arabia, still view the military as a route to acquiring skills and status which often proves elusive in civilian society. General Powell, the son of Jamaican immigrants who grew up in the Bronx, New York, is the paradigm.

It was Powell and Schwarzkopf who put together the air, land and sea battle plan to end the occupation of Kuwait. The aim was to use air power progressively to destroy Iraq's military machine. Starting with the obliteration of Iraq's nuclear, chemical and biological weapons factories, US and allied warplanes then sought to sever the supply lines to the 500,000-strong Iraqi army.

"First we are going to cut it off. Then we are going to kill it," said Powell at the beginning of the war.

Instead of the gradual escalation of Vietnam, the US has applied the doctrine of invincible force. Within two weeks, the allies claimed air superiority. In less than three weeks, they had wiped out Iraq's sea forces. The emphasis has been on conserving the land forces, not just to reduce casualties, but also to wait to deliver the final knock-out punch.

The American high command may therefore be re-discovering the art of campaign warfare which, Hosmer says, was temporarily lost when the US became preoccupied with the atomic bomb and the bi-polar threat represented by the Soviet Union after World War II.

Desert Storm is the first overseas operation which shifts the defensive doctrine of containment of Soviet power towards a new, bolder offensive US military posture which is far more ambitious than the limited engagements such as the invasions of Panama and Grenada, or the bombing of Libya. It is may not amount to outright interventionism, but it is, as Hosmer concedes, "a first toe in the water."

When the monetarists go for broke

The Long View

BARRY RILEY

As UK interest rates begin to fall it is becoming increasingly urgent that British monetary policies should become more closely aligned with those on the Continent

IN BRITAIN we spent years arguing whether or not we should go into the exchange rate mechanism. Are we really to spend more years agonising over whether to leave again?

The stock market, at least, seems happy either way. Last October it zoomed upwards, largely on the expectation that joining the ERM would bring lower interest rates. That optimism quickly evaporated, except in bonds. Now the equity market is powering ahead again, apparently on the expectation that Britain will follow the US down the primrose path of devaluation and sharply reduced interest rates, building on Wednesday's half-point starter cut; that if we do not actually leave the ERM, there will be a realignment which will get sterling and one or two other member currencies off the hook of the rampant D-mark. But I am not sure that life outside the ERM would be at all comfortable – not when the recession-struck UK is still plagued by a substantial trade deficit and 9¾ per cent pay inflation. As usual, the stock market's traders are happier at contemplating quick fixes than a long-term slog.

Economists can be volatile, too. This week six Thatcherite monetarists penned a letter to *The Times* calling for sharp cuts in interest rates, and if that meant devaluation, so be it. But the monetarists could only gather a skimpy team compared to the famous 364 Keynesians who wrote to the same newspaper in 1981. The 364 were proved wrong in the short-term, when they warned that the economy would spiral downwards, but economic historians may not treat them so badly in the context of the flawed achievements of Thatcherism, of which we are now experiencing the unpleasant downside. With the six, I fear, it may be the other way around. They may have more short-term impact, but their carelessness about the ERM may not look so good in the long run. Of course, monetarists tend to suffer under the delusion that Britain could have a strong independent monetary policy, whereas history shows that we need to hitch ourselves to an independent benchmark, whether the Gold Standard, the postwar dollar or, nowadays, the ERM.

My own enthusiasm for the ERM has been distinctly half-baked, however. True, about 18 months ago I argued in this space that there was a good case for making a medium-term commitment to join, and then aligning the British economy with Continental monetary policies over a planned period of several years. But I cynically recognised that it would not happen like that, but instead would abruptly happen one weekend because it seemed to be the answer to a political problem of the moment. I was not so cynical as to believe it could happen the weekend before a Tory party conference.

What I find baffling, however, is that UK entry was not accompanied by a package of monetary measures (other than the sweetener of a 1 percentage point cut in interest rates, which gave the wrong political message). I mean measures like ceilings on broad monetary growth, and curbs on mortgage demand. It is even more extraordinary that no such changes have been introduced more than four months later, and that the focus remains only on interest rates and on discussion of pseudo-policies such as giving "independence" to the Bank of England. No wonder that many foreigners doubt the British government's commitment, and that sterling's risk premium remains quite high (the government's pioneering Ecu bond this week carried a ¾-point lower interest rate than the equivalent sterling gilt).

Of course, credit demand happens to be weak and monetary growth has been collapsing for the past few months, so these matters may not seem urgent. But there is still too much mortgage lending going on in the context of a depressed market, and there is no time like the present for laying down markers.

Meanwhile there is still too much money around, totalling about 80 per cent of gross domestic product. Consumers are frightened to spend it liberally, which is one reason why inflation is slowly decelerating (if you ignore awkward statistics such as the latest figures for factory gate prices) but foreign depositors of "hot" money and domestic holders of excess liquid balances may prove a different matter.

As interest rates continue to come down, money will start to flood into longer-term assets. This is, of course, already happening in the securities markets: there has been a 7 per cent rise in share prices so far in 1991 in spite of the dismal short-term corporate outlook, and with the erosion of the yield gap between DM and sterling government bonds to a mere 1½ percentage points, which may be compared to a gap in underlying inflation of some 4 points.

To some extent the supply of equities and bonds will rise to meet the demand, as we have seen with the Tesco rights issue and the new offers of gilts, but prices will increase too. Before long, however, British prices will look unattractive relative to those of foreign securities, and money will start to flood out of the country. That could leave sterling locked indefinitely at the bottom of the ERM and posing a continual threat to the government at a sensitive political time. It will take more than the odd UK government Ecu bond issue to finance the potential departure of hot money and institutional portfolios.

There is nothing very unusual in all this, you might say. But the volume of liquidity in the system implies the risk of violent swings in sentiment. This is a pity, because joining the ERM was supposed to reduce currency pressures, not aggravate them.

The irony of the panicky message from the six monetarists is that their attitude may increase fears about sterling still further and make it even harder to cut rates than otherwise. What we need from them is clever technical advice on how to harmonise with Continental economies, not a search for some other sterling-DM parity at which our problems will somehow be solved.

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LONDON

There's method in the market's madness

ONE side-effect of yesterday's hedged Iraqi withdrawal announcement will have been to convince previously baffled observers that the London market has not, after all, gone off its head.

For once, the market reacted precisely as might have been expected: leaping more than 20 points in the wake of the initial newsflash and subsiding almost as rapidly when scepticism and complications set in.

Prior to this all-too-transitory peace dividend, many would have argued that the FT-SE's recent behaviour had been positively barmy.

Between New Year's Eve and St Valentine's Day, the index rose 7 per cent to 2294.4, pulled along in Wall Street's slipstream. Meanwhile, war broke out, recession deepened, the Soviet Union seethed and the world banking system tottered.

If the market were Nero, it was not merely fiddling while Rome burned but staging a full-blooded performance of Bruch's violin concerto. Or so it appeared to many.

Concentrating on last week alone, there was an element of eccentricity in the reaction to Wednesday's ½ percentage-point cut to 13½ per cent in UK bank base rates. After rising strongly (and predictably) in early trading, the market gave back most of its gains to close only 3.3 points ahead.

The same day, to adopt a narrower focus, Wickes unveiled a £42.6m one-for-one rights issue in a bid to shore up its eroded capital base. Perversely, the do-it-yourself retailer and timber group's shares actually rose to close 4p higher at 52p.

But is the London market's persistent bullishness in the face of a string of potentially calamitous world events as bizarre as it seems? It could certainly be argued that it is merely taking a dispassionate and longer-term view.

The charts represent the projections of one economist – David Kern of National Westminster bank – of trends in UK interest rates and inflation for 1991 and beyond. "Next year, with RPI inflation averaging 4.3 per cent and underlying inflation at 5.3 per cent, we expect further gradual falls in base rate to 10 per cent by end-1992," Kern adds.

Others share his views. "The important question to ask at the moment is not where we are in the economic cycle but where we are in the interest-rate cycle," says Mike Howell, London-based equity strategist with Salomon Brothers. "We think interest rates have peaked globally."

With such forecasts increasingly widespread and with institutions still greedy for equity – as yesterday's successful placing of 80.9m shares of Allied-Lyons demonstrated – the market's behaviour begins to look less aberrant. It becomes more rational still if one accepts that much of the doom and gloom that will undoubtedly emerge during the upcoming domestic results season has already been discounted.

Certainly, such interest-rate projections – bolstered by the admittedly cautious base rate cut – also help to explain that perverse Wickes price move. "With the anticipation and now the reality of some cut in base rates the market is on the hunt for highly-geared recovery plays," according to Steve Oldfield, retailing analyst at Smith New Court.

As it turned out, last week's sizeable batch of corporate results was by no means uniformly depressing, although there was a tendency to issue warnings about the likely impact on future periods of the deepening recession.

Amstrad, the electronics group, announced a 33 per cent interim profits increase to £40.1m on sales down 12.6 per cent to £326.6m. The company was among those to caution that second-half trading conditions would be difficult, however. This may explain why the shares lost more than 8 per cent of their value on the day, closing down 6p at 63p.

Hanson, the conglomerate, also registered a profit increase, with first-quarter figures showing a 7.1 per cent improvement at the taxable level to £241m. But like Amstrad, the group sounded a more sombre note, warning that "no-one is recession proof." The shares slipped 1½p to 215p.

Reuters Holdings, the financial information and news group, was another to conform to the pattern for the week, lifting annual profits by 13.1 per cent to £320.1m but warning about the possible consequences of the "very heavy turn-of-year cancellations"

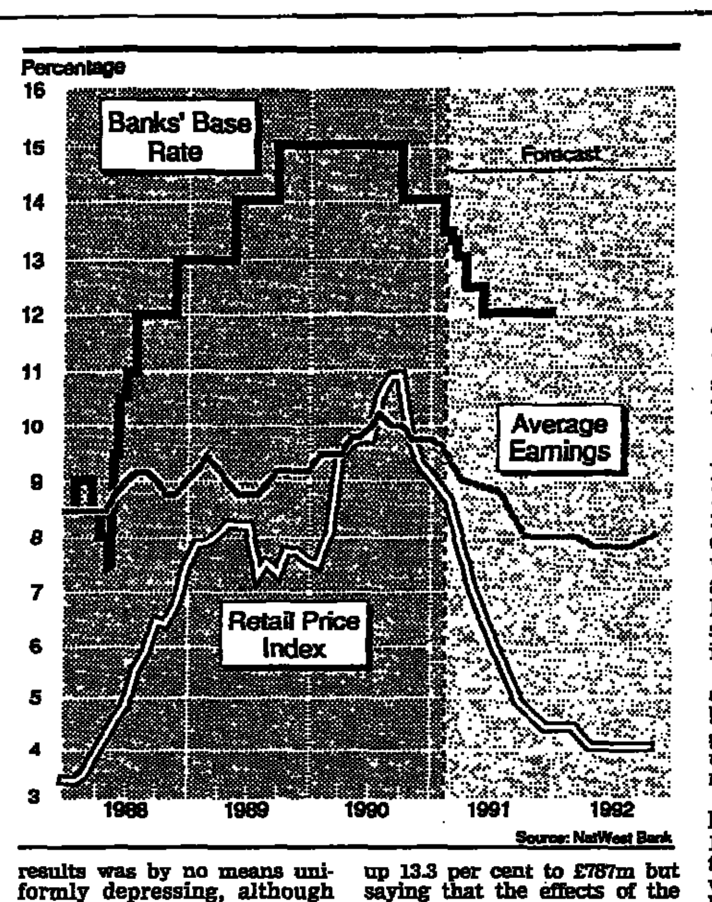
British Telecom produced a variation on the theme, reporting third-quarter profits up 13.3 per cent to £787m but saying that the effects of the recession were already showing up in the form of declining international call revenues. The decline was small – from £456m to £447m – and followed a price cut last September. But it was held to be significant as it is the first time that such a fall has been experienced.

Finally, British Petroleum indicated that its full-year profits had fallen by 12 per cent to £1.2bn, in spite of a 32 per-cent rise in net final-quarter income.

The group also sounded a warning: it expects a substantial stock loss in the first quarter of this year because of the drop in oil prices after the start of the Gulf war.

If there was a depressed air to the week, it was a legacy rather of bleak news on the labour front. The unemployment figures on Thursday showed that the number of people out of work had risen by 46,200 to 1.9m in January. This followed the announcement of a total of 7,400 job cuts at British Airways and British Steel and served to reinforce market sentiment that lower interest rates are needed.

David Owen



HIGHLIGHTS OF THE WEEK

	Price y'day	Change on week	1990/91 High	1990/91 Low	
FT-SE 100 Index	2296.9	+51.7	2463.7	1990.2	Base rate cut
Anglia Sec'd. Homes	44	+13	132	17	Interest rate cut
Burmah Castrol	565	+47	698	437	Stock shortage/SHV speculation
Courtauld Textiles	275	+24	291	208	Textile sector rebounds
Fisons	*415½*	*+29½*	*415½*	*316*	*US report recommends asthma drug*
Glaxo	958	+43	960	669	Brokers recommend drug stocks
Grand Metropolitan	737	+46	739½	514	Ahead of ADR listing
Hi-Tec Sports	83	+15	88	49	Co promises higher profits
McCarthy & Stone	66	+10½	144	30	Optimistic AGM
Micro Focus	1003	+158	1005	446	US buying/Credit Lyonnais rec.
Midland Bank	173	-17	404	150	Prelims. March 5/div worries
NSM	18½xd	-15	115½	13	Profits warning
P & P	101	+39	220	60	Good prelim. figures
RMC	704	+55	745	470	Interest rate cut
Unitech	225xd	+43	399	152	Directors share purchases

Sara Webb assesses the reaction to a surprise cut

Base rate falls – but no joy for borrowers

THE BASE rate cut this week will mean lower rates for some savers but few changes for the majority of existing borrowers.

Since the base rate was cut – to the surprise of many lenders – from 14 per cent to 13.5 per cent on Wednesday, most banks and building societies have announced that they will hold their mortgage rates at current levels. A handful, however, are lowering the savings rates, thereby increasing their margins.

The general message being conveyed by the banks and building societies is that mortgage and savings rates are unlikely to fall until the base rate comes down further.

The Halifax, which is the largest mortgage lender with 1.8m mortgage accounts, said that it would wait to see whether further cuts were likely before lowering its mortgage rate. Other mortgage lenders have hinted that, like the Halifax, they will wait and see.

However, the Abbey National indicated that even if the base rate falls to 13 per cent, borrowers are unlikely to enjoy the full benefit. Mortgage rates may be reduced by only 0.75 of a percentage point rather than the full percentage point.

MORTGAGES

Those that were prepared to amend rates in line with the cut in base rate include:

■ Bradford & Bingley building society is cutting its mortgage rate for new customers from 14.5 per cent to 14 per cent.

■ Britannia building society. Last week, Britannia launched a fixed rate mortgage at 12.35 per cent and a new "Step Down" mortgage which gradually reduces the rate over a two-year period. It has lowered its fixed rate mortgage to 11.9 per cent until the end of 1992, while the rates on the Step Down mortgage have been lowered by 0.45 of a percentage point at each step. However, the building society is not yet lowering rates on its other mortgage products.

■ Norwich & Peterborough building society is offering new customers a mortgage rate of 13.5 per cent on mortgages of £60,000 or more.

■ AIB Bank has cut its mortgage from 14.6 per cent to 14.1 per cent for new borrowers. Existing borrowers will see the same rate cut with effect from March 20. Rates for first time buyers will be reduced to 13.1 per cent during the first year.

■ Independent Mortgages Corporation is offering a five-year mortgage fixed at 11.99 per cent and a two-year mortgage fixed at 12.75 per cent, as well as a variable rate mortgage at 13.9 per cent.

■ Northern Rock building society has launched a new mortgage fixed at 11.85 per cent until June 1, 1993. The mortgage is available for sums of between £20,000 and £250,000.

Barclays Bank and NatWest said their rates are "currently under review." Roland Ward, finance director of The Mortgage Corporation, one of the centralised lenders, said: "We will be assessing whether to lower rates this week – the cut came as a bit of a surprise."

However, Ian Darby, marketing director of John Charcol, the mortgage broker, thinks that many building societies will be keen to lower their mortgage and savings rates so that pressure is lifted from those homeowners who are in arrears and face problems meeting their mortgage bills.

SAVINGS ACCOUNTS

■ Midland Bank has lowered rates on its high interest deposit bond. The bond is for investments of £2,000 or more: the rate on the six-month bond has been cut from 13 per cent to 12.2 per cent gross per annum while the rate on the 12-month bond has been reduced from 12.5 per cent to 11.6 per cent gross.

■ Lloyds Bank has cut rates on its main savings accounts. With the 30-day savings plus account the rates have been cut by half a percentage point as follows: below £1,000, 5.5 per cent gross; £1,000-£4,999, 12.6 per cent; £5,000-£9,999, 13 per cent; £10,000-£24,999, 13.2 per cent; £25,000 or more, 13.4 per cent.

Its instant savings account rates have been cut by half a percentage point to the following: below £500, 7.9 per cent gross; £500-£4,999, 11.1 per cent; £5,000-£9,999, 11.5 per cent; £10,000-£24,999, 11.9 per cent; £25,000 or more, 12.3 per cent.

■ Rates on guaranteed income bonds have already started to shift down and some more of the insurance companies which offer such bonds are likely to reduce their rates next week. Baronworth Investment Services, which monitors rates on these bonds, has compiled a list of best buys.

With one-year bonds, Acuma is paying 9.67 per cent on sums of £1,000-4,999, Financial Assurance is paying 10.2 per cent on £5,000-£9,999, Liberty Life is paying 10.3 per cent on £10,000-£24,999 and 10.5 per cent on £25,000-£49,999, and Canada Life is paying 10.6 per cent on £50,000 or more.

On three-year bonds, the best rates on offer are: 9.3 per cent on sums of £1,000-£1,999 from Premium Life, 9.4 per cent on £2,000-£4,999 from Consolidated Life, 9.85 per cent on £5,000-£24,999 from Financial Assurance, and 10 per cent on £25,000 or more from Liberty Life.

TESSAS

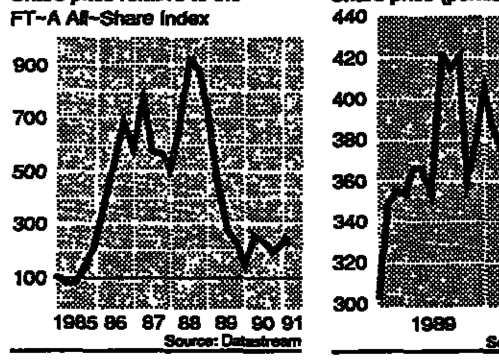
Many building societies and banks, including such names as Barclays and Midland, have said that they are looking at whether to reduce rates on the whole range of savings products and will take a decision in the next few days. However, one area where cuts may be deferred are with Tessas, or Tax-Exempt Special Savings Accounts.

Competition between the banks and building societies for Tessa money has been fierce: indeed, several Tessas have increased their interest rates in the few weeks since they were launched. So it may be a brave bank or building society which decides to cut the rate and risk losing a tax-exempt account to one of its competitors in this field.

FINANCE & THE FAMILY: THIS WEEK

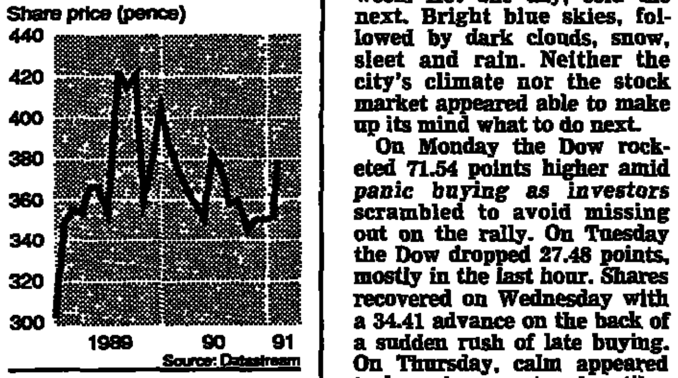
Amstrad

Share price relative to the FT~A All~Share Index



Dalgety

Share price (pence)



Amstrad shares hit

Downgradings by analysts and pessimism for the rest of the year subjected shares in Amstrad, Alan Sugar's consumer electronics company, to a sudden fall on Tuesday. Amstrad announced a healthy increase of 33 per cent in interim profits to £40.1m, but the market was more interested in Sugar's warning that shareholders should not expect significant profit growth for the full year. *John Authers*

Dalgety disappoints

Dalgety, the food company which owns a number of well-known brands, such as Spillers, Homepride and Golden Wonder, announced disappointing interim profits. Turnover – possibly affected by reduced consumer spending – dropped from £2.47bn to £1.95bn, and pre-tax profits fell from £57.1m to £51.7m. Marketmakers had expected the results and the share price enjoyed a week of sustained increases. Shares opened on Monday at 368p, and stood at 378p by the end of Thursday. *J A*

Scottish Widows shocks market

Scottish Widows shocked the traditional life assurance market this week by cutting both annual reversionary bonus and terminal bonus rates. There was some compensation in the payment of a special reversionary bonus on contracts taken out at least 16 years ago. The result for investors with policies maturing this year is a cut in payouts of nearly 10 per cent on 10 year endowment policies but a 2.4 per cent improvement on 25 year contracts.

As a result, Scottish Widows has slipped down the performance tables, though paradoxically it remains near the top for 20 year contracts. *Eric Short*

New NM bond launch

NM Financial Management has launched a unit linked single premium bond which will aim to attract independent financial advisers moving out of the broker fund business. The Elite Portfolio contains five funds run by outside managers and three general funds based on NM's life funds. Minimum investment is £5,000. *Philip Coggan*

Unit trusts unveiled

Newton Fund Managers are launching two new unit trusts, to invest in cash and in international bonds. The funds are intended for use as part of a personal pension and plug gaps in Newton's range of unit trusts.

The company is particularly optimistic about the international bond fund, which will enter a sector which has recently seen the launch of new unit trusts by Barings and Mercury. The Barings launch has raised £45m.

The estimated initial yield is 8.5 per cent. Minimum investment is £1000, with an initial charge of 6 per cent. A 1 per cent discount is available during the offer period, which ends at close of business on February 21. *J A*

Glasgow Enterprise Zone

Laser Richmount, which is jointly sponsored by Johnson Fry Corporate Finance and Richard Ellis Venture Consultants, intends to launch an enterprise zone trust (EZT) to invest in Glasgow commercial property next week. The trust, which has a maximum capacity of £18.8m, should cover three office blocks in the Clydebank business park. Managers are hoping for a yield of 11.52 per cent after 40 per cent tax relief. *J A*

WALL STREET

Fair weather and foul

WALL STREET and New York's weather seemed strangely similar this past week. Hot one day, cold the next. Bright blue skies, followed by dark clouds, snow, sleet and rain. Neither the city's climate nor the stock market appeared able to make up its mind what to do next.

On Monday the Dow rocketed 71.54 points higher amid panic buying as investors scrambled to avoid missing out on the rally. On Tuesday the Dow dropped 27.48 points, mostly in the last hour. Shares recovered on Wednesday with a 34.41 advance on the back of a sudden rush of late buying. On Thursday, calm appeared to have been restored until a steady 10-point gain was wiped out when a last minute failure of of nerve led to a closing loss of 31.93.

By Friday the mood of the market started to look positive as it began to appear that Iraq's hold over Kuwait could be weakening, but the market remained unsure of its direction. When shares have been rising, Wall Street has smiled bravely. Investors seemed to say: "Don't worry, we know what we're doing. The bull market is here to stay."

The thinking behind this insouciant behaviour is seductive. The war will end soon, and in America's favour. The recession will also end soon, probably by autumn at the latest. There is plenty of money around looking for a home and with interest rates falling, bonds and cash look less tempting and equities more attractive by the day.

When shares have been falling, Wall Street has still smiled bravely with an opposite refrain: "Don't worry, we know what we're doing. Don't be fooled into thinking the bears have all gone away." Again the explanation is plausible. The Gulf war could drag on longer than expected; the economy remains in poor shape and corporate America is on the retreat. Shares are overvalued and overbought.

Which view is right? Those painting a gloomier economic picture, were certainly supported by plenty of economic evidence this week. On Wednesday the retail sales figure for January, down 0.9 per cent, was in line with expectations, but there was a sting in the tail.

The Commerce Department announced that it had significantly revised its December retail sales figures. Instead of a 0.4 per cent decline, as had originally been reported, the department said retail sales actually fell by 1.5 per cent in the last month of 1989, yet more evidence that a slump in consumer confidence is hitting high street sales.

Then on Friday official figures showed an unexpectedly sharp contraction in the trade deficit for December and a larger than forecast rise in January core inflation, with producer prices excluding food and energy costs up 0.5 per cent last month. The narrowing in the trade gap – down from \$8.91bn in November to \$6.25bn in December – will be good for inflation and the dollar. But the bulk of the decline in the deficit was due to a sharp drop in imports, yet more proof of the weakness of domestic demand.

The week's worrying economic news came against a background of more problems for American corporations. General Motors and Ford announced large losses for the fourth quarter alongside warnings of severe financial pressures ahead. GM's figures were particularly sobering; a \$1.6bn loss for the last quarter and a \$2bn loss for the year, both records. CBS and Unisys became the latest in a long line of US companies forced to cut or cancel dividend payments. CBS said it was slashing its annual payout to shareholders from \$1.10 to 25 cents, and Unisys suspended its dividend altogether. Occidental announced it was cutting another 1,000 jobs, US Air, the domestic carrier, revealed it was shedding more than 3,500 staff, while 9,000 more jobs are to go at Sears, Roebuck, the world's largest retailer.

Yet the week was not one of unremitting gloom. Hasbro, the leading US toymaker, surprised the market with a 16 per cent fourth quarter earnings gain. Colgate-Palmolive unveiled a 19 per cent improvement in quarterly profits, and Campbell Soup, the giant foods group, announced record second quarter earnings of \$135.3m.

And on the economic front, there were soothing words from Michael Boskin, the White House chief economic adviser, who was optimistic about the outlook for the economy in his official report to the President.

With so much conflicting evidence to digest, no wonder the stock market shifts direction daily. It is enough to make anyone crazy. As the cover of one of the country's best-known business magazines asked yesterday: "Has the market gone bonkers?"

Monday	2902.23	+ 71.54
Tuesday	2874.75	– 27.48
Wednesday	2909.16	+ 34.41
Thursday	2877.23	– 31.93

Patrick Harveson

SMALLER COMPANIES

At last, the good news

AT LAST there is some hope for small company investors. The sector has started to outperform.

The current revival of the UK stock market has seen the long-awaited increase in small company share prices. Having touched bottom on January 29, the Hoare Govett Smaller Companies Index (Capital Gains version) has risen by 7.6 per cent. That followed a dismal January in which the HGSC fell by 5.3 per cent while the FT-A All Share was virtually unchanged.

Whichever way you calculate the figures, smaller companies have been doing well. The table shows that the Hoare Govett index has risen by 5 per cent over the past week while the County Smaller Companies Index has risen by 4.7 per cent. Over the same period, the FT-SE 100 has risen by 2.2 per cent and the FT-A All-Share has risen by 3 per cent.

James Capel uses the bottom 467 companies in the All-Share Index as its measure of small company performance. Capel argues that these are the kind of small companies which institutions tend to have in their portfolios – other small companies are simply too small.

During February, the average small company has on Capel's measure risen by 8.3 per cent, compared with a 6.5 per cent rise in the All-Share and a 5.7 per cent rise in the FT-SE 100.

A single fortnight is hardly conclusive proof that the "small company effect" is back with us, just as the recent rally does not mean that the market will be immune from the effects of recession or war.

John Houlihan of Hoare Govett believes that small companies are "going up in a vacuum, being pulled better by the market leaders. I've seen one or two instances where shares have gone up by 20 per cent on no trading volume."

Nevertheless Houlihan believes that: "On conventional, but historic grounds, the rating of the equity market is low. The status of the smaller companies sector is at levels not seen since the late seventies. If the outlook for the market in general is not nearly as gloomy as business managers fear, fixated as they are by current difficulties, then there is logically much greater recovery potential in the smaller companies sector."

In other words, smaller company shares may recover because of the same factors that caused them to decline. They have been perceived to be particularly vulnerable to high interest rates and the UK recession; logically, they should recover fastest as interest rates fall and the UK economy grows again.

Small cos indices

		% chg on wk
CSCI	848.9	+4.7
HGSC*	1051.9	+5.0

As of Feb 14. * Capital gains measure

However, that optimistic view begs rather too many questions.

Base rates may have been cut by half a percentage point this week but there are still grave doubts about whether the pound's membership of the Exchange Rate Mechanism will allow rates to be cut significantly.

That in turn raises questions about the length and severity of the recession. At a *Financial Times* conference on international banking this week Sir John Quinton, the chairman of Barclays, said that "there is a real threat that the recession in the United States, the United Kingdom and elsewhere will deepen and awaken comparison with the Great Depression of the 1930s."

When the chairman of a major clearing bank is sounding such a grim note, it would be wise not to get too carried away in the euphoria of recent small company share price rises.

As a useful reminder, there was a crop of bad company news this week.

Eurocopy, the office equipment supplier, warned that its profits would be substantially less than last year's £11.3m, causing the shares to fall 59p to 95p on Thursday.

Gaynor, the plastic packaging company, was placed in administrative receivership. Shares in Video Store Group were suspended pending "clarification of its financial position" – normally an ominous announcement. And substantial losses were reported at Company of Designers and Hunterprint Group.

Bad news is inevitably going to occur throughout the current year. Even if smaller companies recover as a class, there is still the prospect of single companies collapsing on a regular basis. That makes diversification all the more important for small company investors.

Philip Coggan

Warm welcome for ECU gilts

ECU gilts, a new investment instrument, received an enthusiastic welcome from the markets when they were launched earlier this week.

The concept seems baffling at first, particularly as the new "gilts" were initially designed as Eurobonds. As far as investors are concerned, they behave more like international bonds than UK government gilts, and they have not been marketed hard to small investors. Institutional fund managers have accounted for much of the initial business.

In simple terms, an Ecu gilt is, like any other gilt, an IOU offered by the UK government in return for a fixed rate of interest. However, it is denominated in Ecus (European Currency Units) and not pounds sterling.

While furious political debate surrounds the future form and definition of the Ecu, its current form is not controversial – bonds and bank accounts can be held in it, although it cannot be used as cash.

Its value is fixed as a weighted basket of the 12 European Community member currencies. Each of these currencies is pegged within the exchange rate mechanism (ERM) of the European Monetary System (EMS).

Therefore it cannot perform as well as the healthiest currency in the EC, but, importantly for investors who use bonds as a relatively risk-free investment, it is certain to perform better than the weakest currency.

ECU denominated instruments thus have a big advantage as far as European investors are concerned in that they automatically provide a certain amount of currency "hedging". This saves transaction costs. The problem of guarding against interest rate fluctuations is reduced since Ecu rates are an amalgam of European interest rates.

Fund managers are attracted to Ecu bonds by the high yields which are available – they tend to be about 2 per cent higher than yields on D-mark bonds. This is because Ecu rates are pushed up by the higher rates on offer in the weaker European economies such as Spain.

This is the first time UK government debt has been released in this denomination and the move is partly politically motivated. Issuing debt in ECUs is a convenient way to show that the government is aiming to be "a good European" despite its doubts about economic and monetary union.

However, the Ecu gilts do not enjoy the favourable tax treatment of sterling-denominated bonds, which are exempt from capital gains tax. The Inland Revenue said that because the new bonds were not in sterling, they did not qualify for exemption. The income is paid gross but must be declared for tax purposes.

It is also harder to invest in Ecu gilts. Minimum investment is Ecu1,000 (about £694) and both interest (paid annually) and eventual redemption (in 2001) are payable by paying agents – usually the large international banks and financial houses which trade in the bonds – in Ecus.

You would need to set up a currency account denominated in Ecus with your bank to receive the proceeds of the investment. This should not be difficult but it would involve extra cost.

Simon Briscoe, economist at Midland Montagu, said: "The big advantage is diversification, of both currency and interest rate risks. Increasingly people are looking to invest overseas in one form or another, and for an individual the Ecu gets you into the market without taking too much risk."

Briscoe added that sterling devaluation within the ERM, predicted by many experts, would not alter this calculation. Ecus still provided a spread against the risks of an overall realignment.

The issue of Ecu2.5bn (£1.73bn) was fully subscribed and prices remained buoyant. Julian McCree, a trader at Midland Montagu, said clients were not taking profits, despite ample opportunities to do so, and he had noticed many newcomers to Ecu bonds.

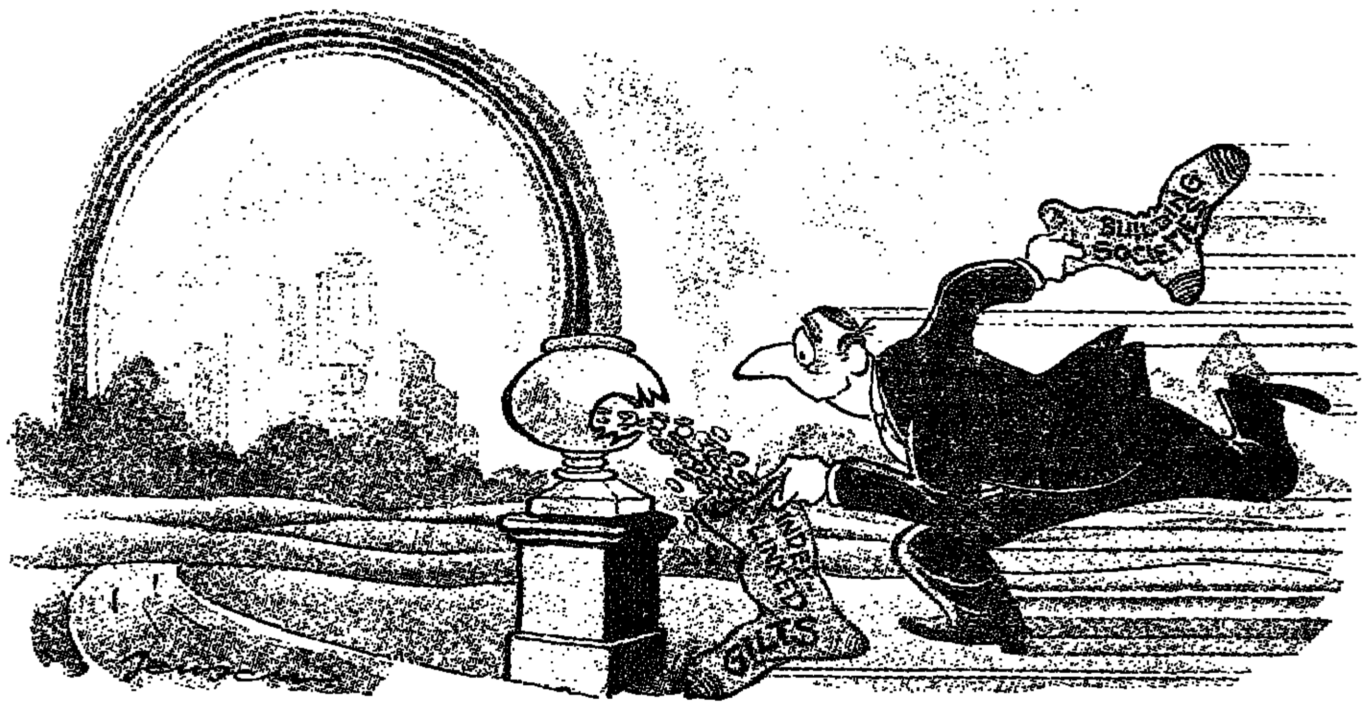
McCree said this was "a sign that the market is gaining in maturity. The market has absorbed Ecu2.5bn very quickly."

The popularity may be due to growing interest in European bonds among fund managers, who see them as highly attractive over a two or three year time horizon. A number of fund managers have recently launched international bond funds.

John Authers

Canny savers used to hide a pot of gold in periods of uncertainty. Finance and the Family writers look for modern stores of value

Safe havens for investors in troubled times



WAR, recession, rumours of a financial crisis – these are enough to make even the calmest investor shift nervously in his sleep.

Older readers, or students of economic history may remember the 1930s when another US bank failed almost every day. More recently – in the mid-1970s – investors had to deal with the secondary banking crisis and the property crash. In the current downturn equity holders have suffered the collapses of big companies such as British & Commonwealth and Polly Peck.

If the worst does happen, how does the investor keep his money safe from capital decline? The answer is certainly not to leave it in cash under the mattress or the floorboards. The risk of burglary is far greater than the risk that an individual financial institution will collapse; and cash in a sock earns no income and is prey to the ravages of inflation.

Nor should the ultra-cautious investor opt for equities. While it is quite reasonable to argue that UK shares are cheap in historical terms, there are plenty of things that could knock the market off course – from war to a Labour election victory. Equities may be the best home for long term savings but they are not the ideal vehicle for those who see safety as the first priority.

In the accompanying articles, we discuss the other options open to the safety-first investor. The temptation may be to buy physical assets such as gold or art, but these have severe drawbacks. Property is a much more reliable standby but even that has its disadvantages. It is not immune from price falls – particularly in the commercial sector – and it is much less liquid than most other investments.

But there is little need to pile all your cash into, say, Welsh farmland. The reassuring fact is that there are many safeguards built into the UK financial system.

The banks and building societies have a protection scheme (described below) but in the past the authorities have been quick to rescue troubled companies, either by arranging a takeover – a favourite tactic among building societies – or by a "lifeboat", the route followed in the post-1974 secondary banking crisis. In any case, although UK banks have their problems, the big clearers look a lot stronger than their US counterparts.

Insurance companies are also backed by the Policyholders Protection Act, which guarantees to pay investors 90 per cent of the first £100,000. The schemes are no protection against a collapse of the whole financial system, but in such a case nothing would hold its value.

For safety-first investors, Robin Bloor of advisers Chase de Vere recommends guaranteed income bonds and annuities combined with endowment policies. Both policies are produced by insurance companies and are covered by the Policyholders Protection Act.

For those who are still worried about the general health of the financial sector, the only option is government-backed securities. National savings offer both fixed and index-linked certificates, although the best returns are only achieved if they are held for five years. Many of the issues are tax-free.

Perhaps the ideal haven is index-linked gilts. The repayment value of these is linked to the retail price index. In addition, the issues pay a small coupon of 2 or 2½ per cent of face value which also rises steadily with inflation. The fact that the bulk of the return comes from the increase in capital value offers the investor tax advantages.

Long dated indexed gilts are currently offering real yields (assuming 5 per cent inflation) of around 4 per cent. That compares quite favourably with BZW figures on the average gross annual real yields offered since 1960 on equities (5.1 per cent), treasury bills (1.2 per cent) and conventional gilts (0.4 per cent).

James Higgins, of the London-based fee-charging adviser Chamberlain de Broe, recommends the following "secure" portfolio for higher rate taxpayers. Husband and wife could each buy £5,000 of the 5th index-linked issue of national savings certificates, which pays 4.5 per cent over inflation if held for five years. A further £1,000 each could go into the 35th issue which pays 9.5 per cent compound if held for five years. Both are tax-free.

Each could also put £3,000 in a Tessa. And for those who are worried about the equity markets now, but might be prepared to buy shares later on, he favours a Pep. With a self-select Pep, the full £6,000 can be held on deposit, provided it is your intention to purchase shares later on. Both partners could take out a full allowance now, and then a further £12,000 in the new tax year starting on April 5. The deposit income, which could be generated from one of the sounder banks, would be tax-free.

Finally, Higgins recommends the Rothschild money market offshore fund. Either the money can be rolled-up – and tax deferred – or a non-working wife can draw sufficient income to use up her tax allowance. A sum of £20,000 or so could generate the current personal allowance. In all, the £60,000 portfolio would involve no immediate tax payments and would be invested in solid institutions.

Philip Coggan

ART

THE AUCTION houses, especially Sotheby's, have banned the "I" word from their vocabulary. "Investment" has absolutely nothing to do with buying art, nothing at all. OK, perhaps Sotheby's will admit to advising the British Rail Pension Fund when it invested £40m in art in the 70s, and it subsequently launched attractive packages describing how an art collection could be used as security for loans, but since the art market collapsed last autumn the traditional chorus of "buy what you like, and buy the best that you can afford, and enjoy" is coming over strong.

The speed with which the auction houses and dealers are distancing themselves from a horse they rode to its death is ludicrous but it is the best epitaph for the (temporary) passing of art as a feasible alternative investment. The decline has been swift and sudden. The fall in prices is concentrated in classic cars and all post-1870 art, especially second rate Impressionists, Scandinavian paintings, contemporary art, and 20th century British.

The sectors of the art market that always attracted connoisseurs, such as silver, good furniture, oriental ceramics, and antiquities, are, at best, on a price plateau, but anyone contemplating selling a run-of-the-mill Renoir, a routine Newlyn School painting by the likes of Dorothea Sharp or Harold Harvey, an orientalist harem scene, or a New York abstract expressionist smodge will be looking at half the price paid during the dog days of 1989.

Of course it is all a matter of timing. The BR Pension Fund bought a cross section of internationally sought after antiques of generally top quality for reasonable prices in the '70s and sold most of them during the boom of the late '80s. The annual return of 6.5 per cent, after inflation, should satisfy even the most philistine retired engine driver. Now, the wheel has turned full circle.

Of course, with dealers desperate for business to pay off bank loans, and auction houses only accepting goods for sale if vendors agree to reserves and estimates 30 per cent lower than those prevailing a year ago, this is an ideal time to buy. But in the short term the idea that antiques are a safe investment has taken a hammering.

Antony Thorncroft

BANKS

THE CAPITAL you have invested in building societies and clearing banks may not be safe from inflation, but it is probably immune from any more drastic cutbacks.

Banks are slightly more risky, although insolvency for one of the big four clearing banks is still almost unimaginable.

If this "nightmare scenario" did happen, the deposit protection fund introduced under the Banking Act of 1987 should help you to pick up the pieces.

All authorised banks in the UK pay contributions into the fund, and may be called upon to make extra payments when necessary. The scheme protects 75 per cent of deposits up to a ceiling of £20,000. The maximum you could be paid in compensation is therefore £15,000.

Separate accounts in the same name are aggregated and joint accounts are divided equally between the holders. Any outstanding loans you hold from the bank would be deducted.

The UK's deposit insurance scheme is roughly in line with the regime in other countries - for example, investors in the US are protected for a maximum of $100,000 (£50,300), but German depositors are only protected up to a maximum of 30 per cent of their capital.

Legal restrictions make it more difficult for building societies to fall into trouble in the first place. The law requires that at least 82.5 per cent of a society's total commercial assets (not including liquid and fixed assets) is covered by home loans to individuals, secured by a mortgage.

Building societies must also obtain a valuation of the property concerned and cannot lend more than this value.

As a result, even in times of rising house repossessions and decreasing property prices, building societies have little to choice but to provide very conservative and very secure investments. Provisions for losses in 1988 accounted for only 0.031 per cent of the £155bn of mortgage assets held by British building societies.

The Building Societies Commission, the government's regulatory body, also limits the range of investments for societies' liquid assets.

If a building society somehow manages to organise its finances so badly that it becomes insolvent, a statutory investor protection scheme, which started in 1987, should provide much relief.

If your building society goes into liquidation, you will be guaranteed 90 per cent of the balance of your account, up to the first £20,000. The most you can receive is £18,000. In joint accounts, each individual would receive a maximum of 90 per cent of £20,000.

John Authers

PROPERTY

ARE HOUSES as safe as houses?

Bricks and mortar certainly offer a more solid home for your capital than many alternatives. However, figures released this week showing the level of house repossessions after borrowers defaulted on mortgage repayments should damp down over-confidence.

This fate was suffered by 43,890 borrowers last year, compared with 15,810 the year before. Many of these unlucky people bought their house in 1988, when mortgage rates were 5 per cent lower than they are now and the property market was booming.

Bear their experience in mind before choosing property as a safe investment. The slump in property prices has deprived them of the profit for which they hoped, and made their investment more illiquid. "Trading down" is now more difficult and expensive and activity in the housing market in general is restricted. Also remember that there is a great difference between investing spare cash in the property market and using borrowing to finance your investment.

The commercial property market, where the sums involved are huge and prices are more prone to drop in a recession, presents the same problems on a greater scale.

However, this year's victims have been unlucky. Halifax Building Society's house price index shows that nationwide, average house prices consistently rise faster than inflation.

House prices in the long term are also relatively proof from inflation. The Halifax index started at 100 in 1983 and has now reached 222.9, with a regional variation between 235.8 in the West Midlands and 134.2 in Northern Ireland. The retail price index, had it started at 100 in 1983, would now only be 149.4.

John Authers

GOLD

GOLD IS supposed to thrive at times of crisis and world instability. Yet the gold price languishes well below the level at which it stood when Iraq invaded Kuwait last August.

Gold is supposed to be a long-term store of value. Yet in the past ten years it has given up about 70 per cent of its value in real terms, measured in US dollars. Measured in many other currencies the fall is even greater.

Looking further back, Rob Weinberg, head of the mining team at the James Capel financial services group, suggests that, to match its value in 1934, the gold price would have to be between US$420 and $710 a troy ounce, based on "cheap" and "expensive" levels in that year. The present price is below $370.

No wonder investors in Europe and North America have deserted gold, leaving the market to a few professionals.

Of course, there are other parts of the world. India for example, where gold hoarding is a deeply-embeded part of the social structure. And gold bulls insist that eventually the right kind of shock to the world's economic system will come along to prove its value.

Rhona O'Connell, precious metals analyst at Shearson Lehman, part of the American Express banking group, points out: "Gold remains the only internationally acceptable currency. Moreover, it is the only currency whose rate of supply into the market is controlled. Although it may not always reflect international turmoil – and its non-performance in the wake of the Gulf crisis is an extremely good example – it will *not* lose its role as an asset of last resort."

However, one of the key problems the market faces is that gold producers are exhibiting little faith in the metal's ability to show a sustained rise in value. Every time gold moves up, producers sell heavily and effectively put a lid on the price.

Potential gold investors in the UK face particular difficulties because the authorities insist that VAT be paid on gold bullion and coins. So UK buyers have to see a rise of over 15 per cent in the gold price before they can break even. Also, VAT cannot be reclaimed when the gold is sold.

Some UK bullion houses will deliver gold offshore so that buyers can escape paying VAT. But that still leaves the question: is it worth switching money from other forms of investment – which for a long time now have been offering a real rate of return – to gold which attracts storage and insurance charges? Then there is the currency risk associated with the fact that gold is priced in US dollars. Gains on the gold price will frequently be offset by losses on the dollar.

Kenneth Gooding

FINANCIAL SECTOR

THE investors compensation scheme covers losses of up to £30,000 in full, along with 90 per cent of the next £20,000 – a maximum pay-out of £48,000. The SIB has made clear that it has no intention of raising the ceiling, which has been in place for two and a half years: it thinks the level is already too high and might tempt investors not to take sufficient care when choosing an investment firm.

The money is only paid out in the event that an investment firm folds, and its assets are not sufficient to cover claims.

Although the scheme only came into force in August 1988, all investments with authorised firms are covered, no matter when they were made.

Reinvested returns are also covered – provided they were set at a reasonable level.

For example, if you have had money with an investment manager who has been offering a return of 20 per cent a year, and it later transpires that the returns were fictitious, then the compensation scheme is likely to repay only the capital plus whatever is regarded as a "reasonable" rate of return.

The scheme has its limits. It takes a long time to pay money out: none of the clients of investment firms that have folded in the past year have received anything at all yet.

Also, it covers only the clients of authorised firms – not firms trading (illegally) with no authorisation, or the handful of firms designated as "interim authorised" (those trying to seek authorisation).

Nor does it cover the many thousands of tied agents (investment firms which are authorised to sell the products of only one company) or direct sales staff of life assurance companies.

Life companies have in the past generally stepped in to compensate investors in such cases. But they are under no obligation to do so, and do not always offer the degree of compensation investors believe they are due.

A final problem with the scheme is that investment firms don't like paying it. The members of each of the five self-regulatory organisations (SROs) have to pick up the tab when one of their colleagues folds, although losses over a certain level are shared across the investment industry generally. For instance, investment advisers who belong to Fimbra share the first £19m of claims in any one year among themselves.

Fimbra is rebelling against this arrangement, and trying to deny compensation cover for losses which have arisen before August 1988. The SIB is resisting this attack on the scheme, and stressing that Fimbra members have a duty to pay up.

Richard Waters

Eric Short looks at the unexpected result of a European judgment

Pension ruling rebounds on women

THE EUROPEAN Court, in its judgment on *Barber v Guardian Royal Exchange*, ruled last May that company pension schemes came within the provisions of Article 119 of the Treaty of Rome and that discrimination on grounds of sex was illegal.

In particular, this judgment meant that pension schemes had to have the same pension age for men and women, a significant decision for most schemes which followed the state scheme in having a pension age of 65 for men and 60 for women.

But in many companies, the outcome of this judgment has not meant better terms for men, but worse conditions for women.

For companies are reacting to the Barber judgment by raising the pension age for women to 65 in line with men, thereby making women wait for up to five more years to achieve a full pension.

This action has aroused the fury of MSF, the general technical union, with Roger Lyons, its assistant general secretary, claiming that these employers were deliberately sabotaging the European Court decision.

So the union has this week launched a nationwide campaign to expose the actions of such employers. Indeed Roger Lyons named some of the companies, which he claimed were raising the pension age for women, including BOC, Glaxo, Ranks Hovis McDougall and Coats Viyella.

The main reason why companies are raising the pension age is one of cost. To bring the pension age for men down to 60 is extremely expensive for companies, while raising the age for women could save on pension costs and have the added benefit of retaining staff.

Nevertheless, this move to level benefits downwards is, claims MSF, contrary to the spirit if not the letter of the EC judgment. The union's argument is that equalisation must lead to improvement. As such MSF considers that companies to conform with the judgment must either have to have a common pension age of 60 or flexible retirement from age 60.

Roger Lyons claims that most companies can easily pay for the costs of reducing pension ages out of the record surpluses in the schemes.

This MSL interpretation of the Barber judgment is not accepted by pension lawyers or the vast majority of the occupational pensions industry.

Their attitude is that companies can change the pension age for new employees and perhaps for existing employees with say at least 10 years to the old pension ages, with other employees having the option to stay with the old arrangements or switch to the new ones.

Certain women would accept a higher pension age since it gives them both the chance to work beyond age 60 without the hassle of invoking social security law and the opportunity to acquire more years of service to count towards their pension.

However, some companies are forcing a higher pension age on all women employees and this action will reduce the benefits of all women not wishing to work beyond age 60 since, unless the employer is generous, the accrued pension will be subject to an actuarial reduction.

But the immediate impact of these higher pension ages falls on women about to change jobs with the higher pension age affecting the actuary's calculation of transfer values.

Lyons quoted the example of a woman aged 49 earning £12,000 changing jobs after 20 years service who found the transfer value reduced from £34,800 to £25,000.

Where women are aware of the situation, MSL claims that the threat of legal action through an industrial tribunal is usually sufficient to get an out-of-court settlement.

But most women are unaware that their benefits are being affected in this manner. Hence MSL hopes that its campaign will make women aware of the position and encourage them to take action.

These moves reflect both the current confusion over the full implications of the Barber judgment and the cost implications of bringing down the pension ages for men. The higher costs of funding lower pension ages will remain after the surpluses have disappeared. A full survey and discussion of the position and the alternatives is needed.

FINANCE & THE FAMILY

The end of CRT is good news for non-taxpayers, writes **Sara Webb**

Tax reminder for savers

NON-TAXPAYERS must remember to apply soon to receive interest gross on their bank and building society accounts.

For years, non-taxpayers subsidised basic rate taxpayers when it came to taxing interest paid on bank and building society accounts. The situation will change, however, from April 6 when composite rate tax, is abolished.

CRT was levied at 21.75 per cent on UK bank and building society accounts for both taxpayers and non-taxpayers in the 1989/90 tax year (it is an adjustable rate but usually ranges between 21 and 22 per cent). From April 6, income tax will be deducted at source at the basic rate (25 per cent). Non-taxpayers will not be required to pay tax.

With the introduction of independent taxation, many non-taxpayers (whose annual income fell within the annual tax allowance of £3,005) opened accounts offshore so that they could receive their interest gross.

However, once CRT is scrapped, non-taxpayers will have a choice of keeping their money offshore or of receiving the interest gross from an onshore account. To register as a non-taxpayer, you will need to fill in a form R85 on the back of the IR110 leaflet, available from banks, building societies and post offices, and return it to your branch. The leaflet also explains how students and old age pensioners can calculate whether they qualify to pay no tax.

After April 6 banks and building societies will have to display gross rates more prominently than other rates. Do not be deceived into thinking that interest rates have increased – if you are a taxpayer, check what your rate net of income tax at 25 per cent or 40 per cent will be. One building society has already lowered its interest rates on the grounds that it is taking into account the effect of abolishing CRT, and others could follow suit.

Children in particular will benefit with the change in rules as after April 6 they will be able to receive their building society interest gross. In the past, the only way children could receive interest gross was by using an offshore account, national savings, a friendly society or a retail co-operative society.

Although children can receive bank and building society interest gross from April 6, there is a snag. If a parent gives money or investments to his or her child and the sum is sufficiently large to generate gross income of at least £100 (in other words the deposit is between £800 and £900 at current rates), the interest is considered to be in the parent's name for tax purposes. The rule does not apply to grandparents or other relatives.

Parents should register children's accounts as non-taxpaying accounts. When the child approaches 16 years old, he or she will have to register himself in order to continue to receive the interest gross.

Husbands and wives can take advantage of the abolition of CRT if one of them is a non-taxpayer. They should switch any interest-bearing accounts into the non-taxpayer's name so that they receive the interest gross. However, it is important to make sure that the gross interest does not exceed the personal allowance.

The Inland Revenue will be making "spot checks" on those customers who self-certify to make sure that they really are non-taxpayers.

You can take it with you...

It is possible to avoid tax even after death. But for how much longer, wonders **Caroline Garnham**

TAX PLANNING can continue after death. Legislation was drafted in the 1989 Finance Bill to put a stop to this practice, but the provisions did not become law.

However, Norman Lamont, then the Financial Secretary to the Treasury, said that "the continued existence of a facility to rewrite the tax consequences of a death estate retrospectively is itself wrong" and "we intend to keep the matter under review. Next year [1990] we may come forward with more targeted specific measures to counter abuse".

Nothing happened in the 1990 Budget, but the government is being ominously quiet about the subject this year.

Probably the most irritating aspects for the government of the current legislation concerns Deeds of Variation. Under s142 of the Inheritance Tax Act 1984, beneficiaries can alter a will after the death of the testator.

For inheritance tax purposes, these changes take effect from the date of death, provided the alterations are made in writing within two years of the death and a written notice is given to the Inland Revenue within six months of the alteration. There are similar provisions in the capital gains tax legislation.

To give a simple example. Mr and Mrs Smith made wills ten years ago leaving everything to each other. Last year Mr Smith died unexpectedly, leaving Mrs Smith with more than she expected. She would like to leave some of her inheritance to her children, who are 18 and 20.

She makes a Deed of Variation of her husband's will to leave up to £128,000 in trust for her children. If she set up a trust for them herself and died within seven years of the gift, inheritance tax of up to £51,200 would be payable. However, entering into a Deed of Variation means she could die tomorrow and no tax would be payable on the gift.

There have been a number of recent reports that the Capital Taxes Office has begun to disallow variations of this type on a number of grounds. However, the CTO is reported as being "puzzled" by these reports and says it will continue to accept valid will alterations.

This simple but common example makes use of the inheritance tax exemption for gifts to spouses and the nil rate band available for both the husband and the wife. But there are other variations.

Mr Read, for example, is a wealthy man who objects to paying inheritance tax. In his view, he has paid sufficient tax during his life not to want to give up a further 40 per cent on death. He reviews his will frequently to ensure that it is effective and up to date.

He wants to leave £20,000 to charity – a tax free legacy under current law. However, he decides not to leave the money to the charity outright. Instead he leaves it to his son with a letter requesting that the money is passed on.

If Mr Read were to die before the Budget, the son could make a Deed of Variation of the will, leaving the £20,000 to charity. Assuming the time limits are met the alteration would take effect as from death and no inheritance or capital gains tax would be payable.

The Deed of Variation does not, however, affect income tax. For income tax purposes the Deed of Variation qualifies for gift aid relief. The charity is treated as receiving the £20,000 net of basic rate tax and can claim back £6,667 from the Inland Revenue, giving a total of £26,667. The son, who is taxable at 40 per cent, can claim back £4,000 of higher rate tax (£26,667 x 15 per cent) on the gift. These impressive tax advantages will probably be curtailed in this Budget.

There are three reasons why changes on post-death planning have not become law:

■ Instruments of variation serve socially useful purposes, in particular where people are elderly and their relatives cannot persuade them to rearrange their affairs in a sensible or realistic way.

■ The changes would inconvenience those who arranged their affairs on the basis of the present law and who were not aware of the changes.

■ Norman Lamont conceded that the proposed amendments to the legislation in the 1989 Finance Bill could have been avoided "by the appropriate rewriting of the wills".

In short, the proposed changes would have penalised some people but it would have been sidestepped by those – the most wealthy – with access to the best legal advice.

In my view, the government has an uphill task in stopping post-death tax planning for the rich without penalising those who cannot or will not make proper arrangements. However, assuming that the government does decide to act this year, what should one do before the Budget?

If you are a beneficiary of someone who has died within the past two years you should consider making a Deed of Variation before the Budget. You should also consider reviewing your will and if necessary executing a new one. The law could be changed to apply only to those wills executed after the Budget.

If the law is changed in the Budget you should review your will afterwards to make sure that it does what you want it to do and it remains effective in mitigating tax.

■ *Caroline Garnham is a partner with London solicitors Taylor Joynson Garrett.*

Philip Coggan on how to avoid hidden costs of commission

Save money: pay fees

FEW people realise how much commission they pay when they buy financial services. The authorities have not yet forced salesmen or advisers to disclose, at the point of sale, the cash amount they get.

There is vigorous debate in the financial advisory sector about whether clients should be charged commissions or fees. For most customers, the question has been theoretical; they have not known how to find a fee-charging adviser.

Now *Money Management*, part of the Financial Times Group, has produced a register of fee-based advisers. Any person who writes to *Money Management* will receive a list of five or six advisers in their area. No s.a.e is needed and the service is free. The address to write to is: *Money Management*, Greystoke Place, Fetter Lane, London EC4A 1ND.

But why should you pay a fee rather than a commission? For a start, it can save you money. The amount of work an adviser does for a client and the amount of commission he receives are barely related.

This is because advisers need to be compensated for the time spent with potential clients which does not result in sales. The ones who buy pay for the ones who do not.

A fee-based adviser tends to charge on the basis of the time spent on the job. It may take only an hour to do work for which a commission-based adviser would charge several hundred pounds. A fee-based adviser, even charging £150 an hour, could often be cheaper.

The second advantage of a fee-based adviser is independence. His advice will not be influenced by the fact that certain policies pay higher commissions. This is not to deny that there are many scrupulously honest commission-paid advisers who will recommend policies even if it brings them no reward. Nevertheless, a system in which the interests of adviser and client are not the same is ripe for abuse.

Many clients have been sold policies which they do not understand or cannot keep up and thus quickly abandon. But they have little hope of getting their money back since the bulk has gone in commission. The same problem faces home-owners who are switched from one endowment policy to another whenever they move.

Richard Boyton, a fee-charging consultant, points out how commission can distort pensions advice. "In the past," he says "commission-based advisers may have recommended a later retirement date, as commission was paid as a multiple of the length of the contract. Fee-based intermediaries earn the same whatever retirement age is planned and they will tend to suggest single contributions, not regular premiums, again for the client's benefit."

So why does the commission-based system continue? In part, the reason is inertia. Advisers are used to being paid this way and are understandably cautious about switching to a new system. They have to feed their families, after all.

Insurance companies are also used to paying commissions and many are not geared to cope with a fees. If a fee-based adviser rebates commission, the client can be landed with a tax liability. The Inland Revenue could help by making fees tax-deductible.

Many advisers also argue that only richer clients would be prepared to pay a fee. The commission system, which effectively staggers the cost of the policy, is advantageous for smaller clients. Otherwise such people will gravitate towards tied agents, whose costs are much more difficult to ascertain and who offer a limited range of products.

Boyton says that the argument that fees are only for the rich is "balderdash". He says that he will arrange, for example, a guaranteed income bond for a fee of £50 plus VAT. "Most people can afford that and if they can't, they should not be buying a guaranteed income bond," he says.

Many people might look askance at being charged £150 for being told to keep their money in a building society, even if that happens to be the best advice for their situation. But a commission-based adviser might have switched them into an inappropriate policy and charged more than £150 commission for doing so.

However, many advisers also believe that too much fuss is made about commissions. They cite other consumer goods, such as suits or cars, where the customer is not told the salesman's commission, but is asked to choose on price.

The analogy seems false. Suits and cars have practical and aesthetic values that influence the consumer in judging what to pay. The value of a financial product is purely financial, and thus commissions paid is essential information for consumers.

COMPANY NEWS SUMMARY

TAKE-OVER BIDS AND MERGERS

Company bid for	Value of bid per share**	Market price**	Price before bid	Value of bid £m's**	Bidder
	Prices in pence unless otherwise indicated				
Audit & General	3½	3½	6½	1.24	West Inds.
Bardon Grp.	117½	112	87	87.42	Evered
Broad Street	1⅝	¾	6†	0.5	BDDP
PML Group Ord.	19*	18	16	1.36	Rapallo
Do.Nom Cv '95 Ln	100*	-	-	2.20	Rapallo
STC	327*§	323	291	1.9bn	Nthn Telecom
Thames TV	‡	270	291	‡	THORN EMI
Touchstone	6*	5¼	6	6.05	Getronics
Touchstone	6	5¼	4	6.00	Stratagem
Yale & Valor	336	327	239	394.99	Williams Hldgs.

*All cash offer. ††Cash alternative. §For capital not already held. ‡Unconditional. **Based on 2.30pm prices 15/2/91 †At suspension. §§Shares and Cash. ‡Terms are 250p cash, plus two contingent deferred cash payments totalling up to 50p in aggregate, per Thames ord. share; total value of bid between £124.1m and £148.9m.

PRELIMINARY RESULTS

Company	Year to	Pre-tax profit (£000)		Earnings* per share (p)		Dividends* per share (p)	
AmBrit Int'l.	Dec	164	(1,260 L)	0.25	(-)	-	(-)
Beckenham Group	Oct	5,600	(3,900)	7.8	(9.0)	3.0	(3.0)
Berkeley Govett	Dec◆	46,300	(39,300)	46.5	(42.0)	19.0	(16.0)
Brit. Petroleum	Dec	2.77bn	(2.53bn)	31.3	(31.8)	16.05	(14.90)
Co. of Designers	Sept	3,530 L	(770)	-	(2.7)	0.25	(3.5)
Crest Nicholson	Oct	8,060	(37,120)	3.86	(28.7)	7.85	(7.65)
Dickie (James)	Aug§	314 L	(228)	-	(0.6)	-	(-)
Duncan Lawrie	Dec	1,090	(1,050)	-	(-)	-	(-)
European Assets	Dec●	n/a	(n/a)	0.2	(0.16)	0.19	(0.14)
Fleming American	Dec	1,400‡	(1,150‡)	2.06	(1.68)	1.75	(1.5)
General Cons.	Dec	4,710#	(4,200#)	10.7	(9.46)	10.41	(9.46)
Hunterprint Grp.	Sept	18,600L	(2,200 L)	-	(-)	-	(3.0)
Intercare Group	Oct	504	(74 L)	4.1	(-)	1.25	(-)
Klein. Overseas	Dec	n/a	(n/a)	3.58	(3.25)	3.2	(3.0)
Leslie Wise	Nov	4,980	(4,170)	9.96	(8.72)	4.0	(3.5)
Manchester Ship	Dec	20,700	(5,000)	383	(90.7)	4.5	(-)
Noble Grossart	Jan	3,320	(3,270)	-	(-)	-	(-)
Noble Raredon	Oct‡	2,700 L	(1,220 L)	-	(-)	0.1	(0.1)
Porvair	Nov	1,510	(758)	11.6	(6.3)	3.0	(2.7)
P&P	Nov	13,120	(11,070)	18.5	(20.0)	4.25	(3.6)
Reuters Hldgs.	Dec	320,100	(283,000)	49.5	(43.6)	15.0	(13.0)
Sandell Group	Sept	137 L	(76)	-	(-)	1.7	(4.4)
Scottish America	Dec	9,890♥	(8,080♥)	4.42	(3.61)	3.8	(3.3)
Seacon Holdings	Sept	1,580	(1,520)	13.9	(17.5)	3.5	(3.15)
Throgmorton Tst.	Nov	6,080†	(9,000†)	2.14	(3.19)	2.15	(3.18)
Tyndall Holdings	Dec	1,580	(2,800)	1.41	(5.3)	-	(5.5)
Tst. of Property	Dec	102#	(94#)	1.55	(1.42)	1.364	(1.21)
Wickes	Dec	7,850 L	(38,060)	-	(21.6)	1.0	(4.0)
Yeoman Invest.	Dec	3,220♥	(2,930♥)	13.1	(11.9)	13.6	(12.2)

INTERIM STATEMENTS

Company	Half-year to	Pre-tax profit (£000)		Interim dividends* per share (p)	
Armitage Bros.	Dec	579	(503)	2.5	(2.4)
Amstrad	Dec	40,100	(30,100)	0.4	(0.4)
Associated Nursing	Sept	631	(1,780)	1.0	(1.0)
Bailey (CH)	Oct	807 L	(328)	-	(-)
BOC Group	Dec††	71,400	(81,500)	-	(-)
British Airways	Dec§§	340,000	(330,000)	-	(-)
British Telecom.	Dec§§	2.32bn	(2.01bn)	-	(-)
Bryant Group	Nov	9,300	(14,700)	1.4	(1.4)
Budgens	Nov	505	(4,710)	-	(2.0)
Castle Cairn Invest.	Dec‡‡	93♥	(-)	0.7©	(-)
Courtney Pope	Nov	3,500 L	(1,870)	-	(3.5)
Dalgety	Dec	51,700	(57,100)	7.15	(7.15)
Dudley Jenkins	Oct	376	(321)	1.3	(1.2)
Elbief	Oct	84	(70)	0.18	(0.18)
Fleming Overseas	Dec	2,300#	(2,480#)	1.5	(1.5)
GPA	Dec‡‡	195,800	(179,400)	-	(-)
GT Venture Trust	Dec	208♥	(381♥)	-	(-)
Hanson	Dec††	241,000	(225,000)	-	(-)
Huntingdon Int'l.	Dec††	4,070	(3,670)	-	(-)
Mid Wynd Int'l.	Dec	212#	(87#)	2.3	(1.7)
Oceonics Group	Sept	1,150	(1,010)	-	(-)
Paramount	Nov	264	(161)	-	(-)
Photo-Me Int'l.	Oct	8,540	(8,830)	1.2	(1.2)
Union Square	Sept	1,070 L	(1,410)	-	(0.4)
Usher (Frank) Hldgs.	Nov	505	(708)	1.5	(2.0)
Willaire Group	Oct	1,010	(1,340)	-	(0.3)

(Figures in parentheses are for the corresponding period.)
*Dividends are shown net pence per share, except where otherwise indicated. L = loss. † Net profits. ‡ Available revenue. ‡ Last years figures for 17 months with profits restated. ◆ Figures quoted in US dollars & cents. ● Figures quoted in Dutch guilders. # Net revenue. §§ Figures for 9 months. § This years figures for 10 months. ♥ After tax revenue. †† 1st quarter figures. ‡‡ Figures for 34 weeks. © Includes special dividend of 0.2p. ‡‡ Profit after tax quoted in US dollars, figures for 9 months.

RIGHTS ISSUES

Halls Homes & Gardens is to raise £3.2m via a rights issue involving 35.4m new ordinary shares at 10p.
Resort Hotels is to raise £12.1m via a 3-for-5 rights issue at 50p.
Wickes is to raise £42.8m via a one-for-one rights issue at 32p.

RESULTS DUE

Company	Announcement due	Dividend (p)* Last year Int.	Last year Final	This year Int.
FINAL DIVIDENDS				
Baldwin	Tuesday	1.15	1.4	1.4
Cheltenham & Gloucester	Wednesday	-	-	-
F&C Enterprise Trust	Thursday	-	0.16	-
Grahams Rintoul Invest. Tst.	Friday	-	1.5	-
Lloyds Abbey Life	Wednesday	6.0	11.0	6.0
Lloyds Bank	Friday	6.4	9.0	5.0
McAlpine (Alfred)	Thursday	4.5	11.6	4.5
MMI	Friday	-	-	0.25
Newmarket Venture Capital	Monday	-	-	-
Owners Abroad Group	Thursday	0.7	1.8	0.82
Provident Financial	Thursday	7.0	13.5	8.0
Royal Dutch Petroleum	Wednesday‡	3.25	4.4	-
Scottish Eastern Invest. Tst.	Tuesday	1.15	2.35	0.45
Shell Transport & Trading	Wednesday	7.7	10.7	8.4
Temple Bar Investment Trust	Monday	3.7	6.5	4.1
TR Pacific Investment Trust	Monday	-	0.25	-
Tribune Investment Trust	Thursday	0.85	4.35	1.7
Ward Holdings	Thursday	0.5	2.1	0.5
Yorkshire Chemicals	Wednesday	3.5	8.5	4.5
INTERIM DIVIDENDS				
Abingworth	Thursday	-	1.5	-
Alumasc Group	Thursday	2.85	6.15	-
Ashtead Group	Monday	1.0	2.75	-
FII Group	Monday	4.67	7.25	-
Fleming High Income Invest.	Wednesday	1.3	1.35	1.4
Herrburger Brooks	Wednesday	-	-	-
Howard Holdings	Monday	0.6	0.9	-
JF Pacific Warrant	Thursday	-	-	-
JF Philipine Fund	Friday	-	-	-
Jos Holdings	Wednesday	1.12	3.92	-
New Zealand Invest. Tst.	Wednesday†	1.5	1.0	-
Second Alliance Trust	Monday	11.0	22.0	-
SWP Group	Thursday	-	0.6	-
Throgmorton Dual Trust	Tuesday	2.75	6.0	1.75
York Waterworks	Wednesday	2.0‡	-	-

*Dividends are shown net pence per share and are adjusted for any intervening scrip issue. † 1st quarter figures. ‡ Interim dividend for 15 months to 31/3/91. ‡ Figures quoted Dutch guilders.

Andrew Bolger looks at the industry in advice for the redundant

Finding work is a tricky job

REDUNDANCY last autumn could scarcely have come at a worse time for Steven, a management consultant in his early thirties.

He had been working in the UK's depressed retail sector, so the loss of his job was no great surprise. However, his wife was having a difficult first pregnancy and had stopped working earlier than planned. Builders were still renovating their house, on which they had taken a large mortgage.

When his initial flurry of job applications and inquiries drew a blank, Steven began to feel increasingly desperate. He felt a lot worse after his first encounter with a career consultant left him with a court summons for a total of £353.82.

Steven's search for a job had taken him into the unfamiliar and scarcely regulated world of head-hunters, outplacement companies and career consultancy agencies, all of which have mushroomed since the British economy had its last big recession in the early '80s.

Headhunters are used by companies to fill specific vacancies. They get a "success fee" from the companies involved, so never charge individuals whom they approach regarding a job.

Outplacement is a service imported from the US, where companies pay for employees who have been made redundant to be counselled and trained in the art of finding another job. The practice has spread to UK employers and from senior management to blue-collar level.

Sanders & Sidney, the only quoted outplacement consultancy, charges companies a flat fee of £1,250 plus 15 per cent of the employee's final salary for its full individual service. In common with several other outplacement companies, Sanders & Sidney will only deal with companies, where it takes a fee from the employer.

Things get potentially more difficult when outplacement companies aim to attract individuals. Private clients are charged similar fees, up to 15 per cent of previous salary, for outplacement counselling – assessment of abilities, advice on the job market, CV preparation and interview techniques.

Agencies offering these services are not subject to specific regulatory or legislative constraints, even though many unemployed people are very vulnerable.

Such individuals may well have had a generous pay-off, but are still anxious to find a job. They are therefore open to sales pitches which suggest that their level of seriousness about job-hunting will be reflected by the amount they are prepared to spend.

Steven had approached Fletcher Hunt career consultants, a private company which advertises regularly in the national press and has its head office in London's West End. It also has 12 outlets in other parts of Britain, Dublin and Hong Kong.

Telephoning in response to a *Sunday Times* advertisement, Steven had the impression that he would be given a hour's interview, one-to-one, without charge or obligation. On arrival he met Paul Fletcher, chairman and managing director, who founded the company in 1985.

Steven says that after brief conversation about his career and CV, Fletcher said he could do nothing for him unless he was prepared to sit tests. Within 10 minutes of entering the building, Steven found himself alone in a room doing intelligence, numeracy and aptitude tests, feeling strongly that this was not what he had intended.

According to Steven, Fletcher had mentioned the sum of £275 to cover the tests, their analysis and an hour's follow-up counselling. He is confident that his explicit agreement was neither sought nor given, but accepts that by doing the tests, which took him about 50 minutes to complete, he went along with what was proposed. On completing the test, he was given an appointment for his counselling session a few days later.

Later that same day Steven visited a branch of Chusid Lander, another career consultancy, where he says there was a totally different attitude. Christopher Trott, London regional manager, said Chusid Lander interviews prospective private clients for up to an hour, free. If they return for a second interview, then his company will propose a package and outline its costs. If the prospective clients decline to proceed, they are free to leave, again without any charge.

Steven says that his misgivings about Fletcher Hunt had been strengthened by his visit to Chusid Lander. He called Fletcher the next day, saying he did not want to proceed, but was told he would be liable for the full fee of £275, plus VAT.

When he protested, Steven says Fletcher told him that the interview had been tape recorded and he would receive a court summons in the post – which he duly did, with a court fee of £37 included.

However, Steven's account of his visit is disputed by Fletcher, who says: "Nobody, but nobody, is told that they get free services. I've actually heard the tape – everything we do is recorded. The client you are referring to requested a full appraisal, and it's all on tape. He was told the costs upfront, as everybody is. We don't do anything unless people are told costs upfront.

"He went through it. He, for his own reasons, then decided not to come back. That's fine. I use a very simple analogy: if you go to a dentist with toothache and the dentist says 'Right, you need a new tooth' – or whatever it is, or cap, or so on – 'I'll have it made up, come back and seen me next week and I'll fit it.'

"You then phone the guy up a few days later and say 'sorry, I don't want the cap'. He's actually made it for you – he has spent the time doing it. Provided he has told you the costs upfront, precisely what is going to happen, you will be liable for that."

Steven's case is still being dealt with by the small claims court. The preliminary hearing of his case was adjourned because the judge wished Fletcher to appear in person.

Some private clients can receive interest-free government loans of £300 to £5,000 for the training element in career counselling courses – even though, surprisingly, the Department of Employment does not keep any register of approved career consultants.

Since the Career Development Loan scheme was launched nationally in 1988, some 13,000 people have received a total of £32m. Only a small minority of loans would have gone to career consultants, but Chusid Lander said each year up to a third of its 500 to 600 private clients obtained money under the scheme.

The department and the three banks which administer the scheme – Barclays, Clydesdale and the Co-operative – do not keep a register of approved consultancies but judge applications from individuals on merit.

One recent move towards regulation has come from the Institute of Personnel Management, which is attempting to draw up a code of practice. Fletcher says he fully supports the proposed code, which is still in draft form and has not yet been endorsed or adopted by the IPM.

On the question of payment, the draft code states: (a) Fee rates and alternative terms of payment will be disclosed in writing in advance. (b) Private clients will be allowed a 14-day "cooling-off period", during which the consultancy would, on the private client's request to terminate services, charge only for work work actually done, in lieu of any fixed, larger or composite fees which have been agreed.

The draft code is supported as a minimum standard by Derek Edwards, a director of Sanders & Sidney. He believes a useful service can be offered to private clients by reputable career consultants, but says individuals would also do well to use their local reference library and a good book. He recommends *Getting Your Next Job* by John B. Hallett (Management Update, for £5.95).

As the current recession cuts through the management and service sector, a large number of white-collar workers will find themselves looking for a job.

"Buyer beware" is a sound business principle. And job-hunters must always be clear whether they are selling their skills or buying an agency's services – and if so, at what price.

THE WEEK AHEAD

SOME SOBERING news about the growing impact of the UK recession will turn up in the year-end results of the clearing banks. **Lloyds Bank** kicks off the season on Friday with the other clearers and Abbey National reporting over the following ten days.

The combination of rising bad debts and economic recession will take a heavy toll on their bottom lines. The point was driven home yesterday when Standard & Poor's downgraded Barclays from a triple A to double A plus. it had been one of only a handful of big banks around the world to be graced by the highest rating. S&P also downgraded Midland. Lloyds' profits will be down by about 30 per cent, not including the effect of special provisions against Third World debts and other exceptional items. S.G. Warburg Securities is forecasting £672m, down from £910m in 1989.

But Lloyds is also likely to stand by its promise of rewarding shareholders with a real increase in dividend – probably 15 per cent.

Royal Dutch/Shell, the Anglo-Dutch oil group, will report its fourth quarter and 1990 results on Wednesday. The group is expected to report around 40 per cent increase in profit to £1.29bn in the fourth quarter as the revenue benefits from higher oil prices began to be felt.

But analysts are predicting a small decline in the full year's profit figure to £3.34bn from £3.58bn in 1989. These figures are on a replacement cost basis which strips out the stock losses and gains.

FINANCE & THE FAMILY

David Cohen on the nobbling of a novel employee loan plan

Tax scheme ruled offside

ARSENAL Football Club can be forgiven for suspecting that the powers that be are secret Scouse sympathisers as it strives to overtake Liverpool at the top of the Football League.

Having already suffered a two-point deduction at the hands of the soccer authorities and the loss of captain Tony Adams to a four-month prison sentence for drink-driving, the Gunners completed a hat trick of court defeats last month when a tax avoidance scheme the club had cooked up for its longest-serving player was booted out by a judge.

The scheme was based on an interest-free loan – an employee perk which is now being tackled particularly fiercely by the Inland Revenue. Loans by employers to their staff are treated as a taxable benefit if interest is charged at less than the "official" rate prescribed by the Revenue – currently 15.5 per cent. The rules apply to directors and to all other employees earning at least £8,500 a year and the taxable amount is the extra interest the borrower would have paid had his loan been at the official rate.

Suppose an executive is lent £50,000 at 5 per cent. His annual interest bill is £2,500, whereas at the Revenue's rate it would have been £7,750. The difference of £5,250 will be added to his taxable income which, assuming he is a higher-rate taxpayer, will result in an extra £2,100 to pay.

The charge is avoided if the annual value of the benefit is £200 or less but at £200.01 the Revenue will demand its slice of the entire benefit, not just the excess penny. So it will sometimes be worthwhile for an employee to pay a little more interest to save a lot more tax.

More significantly, the employee will also escape the taxman's net if the loan is used for a purpose which qualifies for tax relief – most commonly the first £30,000 of a residential mortgage, or to fund the acquisition of a close company shareholding.

Arsenal's attempt to exploit a gap in the Revenue's defences went far beyond these statutory exemptions. It arose out of a "request" from David O'Leary, their Eire international defender, to receive an extra £28,985 each year tax-free in addition to his agreed salary and bonuses.

The inference was that if O'Leary had to pay tax Arsenal would have to gross-up their

payment to him, still leaving him with the magic £28,985. Since these negotiations took place in 1979 when the top income tax rate was 83 per cent a gross annual sum of £170,500 would have been required – a considerable incentive for the Gunners to seek a tax-effective route.

The key player in the scheme was a Jersey trust, set up for O'Leary's benefit, to which the club made an interest-free loan of £266,000. The trust then put the money on deposit with a Jersey bank and passed on the annual interest – which after administrative expenses amounted to approximately £29,000 – to the Irish centre back.

These arrangements apparently conjured up tax-free income by taking advantage of two fiscal loopholes. The first was that the special charge on beneficial loans does not cover loans to a trust, even if – as in this case – the trust was simply a device for passing money to the employee.

The second loophole was the fact that UK residents whose permanent home or "domicile" is abroad are generally taxed on offshore income on a remittance basis. In other words they pay tax only to the extent that they actually bring the money into this country. O'Leary was domiciled in Eire and the income arose and remained offshore.

Unfortunately, the Revenue were not dazzled by this fancy footwork, nor indeed was Mr Justice Vinelott when the case came before the High Court. He acknowledged the technical virtuosity of the scheme but decided that the loan was so closely connected with O'Leary's employment – the player was entitled to terminate his contract if the loan was withdrawn – that in any common sense view the interest had to be taxed as additional salary.

While the failure of such a patently artificial arrangement may seem fair enough, the tax treatment of many thousands of other employee borrowers is anything but fair. The inequity arises out of the use of a single "official" rate when determining whether an employee loan is a taxable benefit. The current 15.5 per cent is doubtless an accurate reflection of the cost of an overdraft but longer-term loans can be obtained far more cheaply.

Executives of banks and other financial institutions who borrow long-term from their employers at the same rate of say, 12 per cent, which is available to the public are taxable on the 3.5 per cent discount to the official rate even though this is not a "benefit" in anything other than a purely technical sense.

By the same token, a genuinely beneficial loan will create a tax liability out of proportion to the true benefit: a 5 per cent loan which would have cost an outsider 12 per cent will trigger a charge on 10.5 per cent rather than just 7 per cent.

The problem can be even more acute with foreign currency loans, where the interest rate is likely to be considerably lower but the employee also takes on an exchange rate risk. The tax rules ignore that risk and simply look at the interest saving in isolation.

The Revenue's right to extra tax in these circumstances seems as undeserving as David O'Leary's claim to pay nothing at all on his loan. But no judge will be found to contradict the clear, though harsh, results of the beneficial loan legislation; only Parliament can sweep away these anomalies.

■ *David Cohen is a partner in the City law firm of Paisner and Co.*

DIRECTORS' TRANSACTIONS

THE MONTH of January showed directors' purchases outweighing sales by a ratio of three to one, a continuation of the positive trend shown over the last six months.

The engineering sector remains the most heavily bought with, over the last three months, purchases outweighing sales by a ratio of 9 to 1. The sector has underperformed the FT-A All Share Index by 16.5 per cent over the last year.

We reported buying by several directors of Anglia Secure Homes in January, and this has been followed by two directors of another retirement homes company, McCarthy & Stone, picking up stock. Both shares have since risen sharply, Anglia having doubled and McCarthy up 50 per cent.

Barry Wehmiller performed strongly between October 1987 and the middle of last year rising from 140p to 320p. In June all five executive directors exercised and sold shares with a value of £2.5m, with a non executive director selling shares for £1.3m. Three directors, including both the chairman and chief executive, have now bought stock at 168p. The group is unusual in that relatively few shares are held by the directors.

Berry, Birch & Noble, a small financial services group, recently reported improved earnings with a positive statement. Six of the directors have purchased stock just prior to the close period, with final results due in April.

Angus MacDonald, Directus

DIRECTORS' SHARE TRANSACTIONS IN THEIR OWN COMPANIES (LISTED & USM)

Company	Shares	Value	No of directors
SALES			
Apollo Metals	141,000	184	3
Argyll	105,634	291	3*
Bodycote	10,000	21	1
Cater Allen	16,485	66	2
Danbury Group	65,000	26	1
Mercury Asset M'ent	10,000	47	1
RMC Group	2,670	18	1
Rolfe & Nolan	100,000	160	1
Securicor A Shares	2,400	11	1
Shanks & McEwan	2,500	30	1
Sherriff Holdings	12,500	10	1
Stanhope Properties	100,000	90	2
Thorpe (F W)	14,456	12	1
Tops Estates	7,150	10	1
VTR	125,000	82	1
Warner Estates	15,000	28	1
PURCHASES			
Aitch Holdings	3,333,333	200	1
Assoc. Brit C'tants	22,000	18	1
Barry Wehmiller	25,000	42	3
Berry Birch & Noble	151,900	70	5
Black (A & C)	7,672	39	1
Colorgen	275,000	16	2
Danbury Group	400,000	160	1
Eastern Electricity	20,968	20	4
Helene	210,000	26	3
ISA International	28,000	20	3
McCarthy & Stone	40,000	18	1
McC & S (nm in stk)	55,295	17	1
Misys	16,250	13	2
Molyneux	100,000	28	1
N Zealand Inv Trust	50,000	29	1
Sherriff Holdings	12,500	10	2
St James Place Cptl	827,000	496	1
Thorpe (F W)	14,456	12	2
Warburg (S G)	13,622	45	1
Westport Group	394,151	14	2

Value expressed in £000s. Companies must notify the Stock Exchange within 5 working days of a share transaction by a director. This list contains all transactions, including the exercise of options (*) if 100% subsequently sold, with a value over £10,000. Information released by the Stock Exchange 4-8 February 1991.

Source: Directus Ltd, Edinburgh

TRANSFER PENALTIES

Name	Min inv £	CAR% (excl bonus)	CAR% (incl bonus)	Transfer elsewhere IN ADDITION TO ANY LOST BONUS
AIB Bank -				
5 yr fixed rate	£7,000	11.25	11.44	14 days notice AND 182 days interest penalty
Barclays Bank	£1	14.00	14.00	If transfer during first year no interest payable
Bristol & West BS	£3,000	13.50	14.55	90 days notice AND 90 days interest penalty
Britannia BS	£3,000	15.00	15.00	90 days interest penalty
Confed bank -				
5 yr fixed rate	£8,020	11.50	11.50	180 days interest penalty
Holmesdale BS	£1	14.00	14.00	60 days interest penalty
Mansfield BS	£25	14.75	14.75	30 days notice AND 60 days interest penalty
Melton Mowbray BS	£3,000	13.00	13.00	90 days interest penalty
National Counties	£4,000	15.40	15.60	90 days interest penalty
Nationwide Anglia	£3,000	15.50	15.65	10 days notice AND 90 day interest penalty*
Nationwide Anglia	£3,000	15.15	15.30	10 days notice AND 90 day interest penalty*
Newcastle BS	£1	14.00	14.06	30 days interest penalty AND £25 admin fee
Portsmouth BS	£1	13.75	13.75	60 days interest penalty

* Nationwide Anglia: no tansfers before 6th April

THE LARGEST MATURITY BONUSES FOR FIVE YEAR LOYALTY

Name	Min inv £	CAR% (excl bonus)	Maturity bonus £	Transfer notice IN ADDITION TO ANY LOST BONUS
Derbyshire BS	£25	10.06	£1,863	No notice required
Hinckley & Rugby BS	£500	12.50	£1,035	No notice required
Bristol & West BS	£3,000	13.50	£500	90 days notice AND 90 days interest penalty
Saffron Walden BS	£10	13.00	£491	£25 admin fee
Cumberland BS	£1	13.50	£314	£20 admin fee
Halifax BS	£25	13.50	£307	£10 admin fee
Lambeth BS	£500	14.75	£300	60 days notice
Norwich & Peterbrough BS	£1,000	14.50	£300	No notice required
Kent Reliance BS	£50	14.00	£300	1 months notice
Deacon Hoare	£250	15.87	£285	No notice required

Plus and minus

TESSAS offering the biggest bonuses and the most punitive transfer penalties are shown in this week's tables, supplied by Blay's Guides.

It is important to check what penalties you may incur if you transfer your Tessa to another bank or building society before the end of the five year period so that you are free to chase the most attractive interest rates.

Several readers have written to ask what happens if you die before your Tessa matures. The Inland Revenue rules are as follows: if the investor dies before the five years are up, the Tessa is automatically terminated and the account is treated as a normal bank or building society account.

The account cannot be transferred as a Tessa to your beneficiary. The interest which has accrued up to the date of death is paid gross and is exempt from tax. After death, the interest could be subject to tax although it depends what happens to the estate.

Sara Webb

Happy to pay?

John Authers says many people are not planning inheritance tax

IGNORANCE about inheritance tax (IHT) planning is widespread, although it is relevant to more people than ever before, a survey carried out by MORI for Scottish Amicable, the life assurance group, revealed this week.

The steep rise in property prices during the last decade and a big rise in asset values have pushed the value of many people's estates above the threshold for the tax, which currently stands at £128,000.

With careful planning, IHT can be avoided almost completely and has even been described by some experts as a "voluntary tax".

However, the survey shows that this planning is not being done. Although 79 per cent of the people aged between 50 and 64 questioned by MORI said they knew about the IHT threshold, 62 per cent said they had done nothing to plan for it.

MORI found nobody who had transferred the ownership of their main home to an heir, only 6 per cent had transferred any other assets, and only 7 per cent had taken out insurance to cover IHT liability.

Maurice Paterson, deputy managing director of Scottish Amicable, said: "Our message to those who have become relatively wealthy through post war prosperity is to act before it is too late.

"There is obviously a massive potential market for financial advisers here. They should be ringing their clients and offering to discuss their potential liability now."

■ *The Generation Gap – Family Finance in Britain in the 1990's. Summaries available free from Sottish Amicable, 150 St Vincent Street, Glasgow G22 5NQ.*

Time factor means costly redemption

Q&A BRIEFCASE

No legal responsibility can be accepted by the Financial Times for the answers given in these columns. All inquiries will be answered by post as soon as possible.

AT THE TIME of the Nestlè takeover of Rowntree Mackintosh my mother held more than 9,000 shares in the latter company.

The rapid rise in the share value from £3.00 to the final offer price of £10.75 of Nestlè stock for each ordinary share produced overnight a large capital gains exposure. This is due to the arrangements for redeeming the loan stock ie prior to January 1994.

In each of the last two years she redeemed stock just sufficient to produce a gain within the £5,000 limit for capital gains tax. However, there is not enough time left between now and January 1 1994 to redeem the balance within this annual allowance.

Can my mother gift some of this stock to her two sons and allow the latter to redeem them within their (our) capital gains tax allowance? If not, is there any other way in which she can reduce the inherent liability.

■ Sorry, but a gift of the Nestlè Holdings (UK) loan notes would produce the same CGT result as a sale or redemption. The days of tax-avoidance schemes are really over. A free introductory booklet to capital gains tax is available from tax offices: ask for pamphlet CGT14.

Incidentally, perhaps we should remind you that April 5 1991 is most people's deadline for electing (under section 96(5) of the Finance Act 1988) to ignore the original cost of all assets held (or deemed to have been held) on March 31 1982.

Our general recommendation is that such an election should be made unless there is a clear disadvantage in doing so. In other words, if in doubt, make the election.

The CGT14 pamphlet will help you, if you have forgotten the rules for section 96(5) elections.

Homes in joint ownership

I OWN a few rented houses which, being 74, I intend to sell as they become vacant. The properties are at present in my name only. Is there a way of putting them in the names of my wife and myself to each obtain the capital gains tax exemption allowance of £5,000 on each sale? I understand that, if in joint name, only one allowance is allowed. Would Tenants-in-Common qualify for each of us to obtain exemption?

■ A bona fide gift of a half share in each property to your wife, by means of a conveyance into your joint names as tenants-in-common, should indeed produce a reduction in your joint prospective income tax and capital gains tax bills, on the bare facts outlined.

Your wife's half share of the rental income – and of the eventual sale proceeds – should be paid into an account in her sole name, to which you have no access. There must be no question of any of her share of the money finding its way back to you, even indirectly.

As a first step, you should ask your tax office for the free pamphlet CGT15 (Capital gains tax: a guide for married couples). Then talk things over with a solicitor – checking beforehand that the form which you have in mind is competent in tax law, of course.

Power shares applications

MY WIFE and I intend to apply for shares in the electricity generating companies when the offer goes ahead. We also wish to apply for shares on behalf of each of our four grandchildren, and have indeed registered them with the Electricity Share Information Office.

However, we do not wish to acquire the shares for them as an outright gift, but rather to provide them with the purchase price in the form of an interest-free loan, repaying when the shares are sold (preferably within the first few weeks of dealing).

We naturally hope that a modest profit will accrue to our grandchildren from this transaction, and certainly intend no financial benefit for ourselves – indeed, we may well pay their brokerage charges for them.

Obviously we do not intend by this procedure to submit "multiple applications" but we would welcome your reassurance that the authorities would not construe it as such.

■ We think that your proposal does not constitute a multiple application; but you should carefully scrutinise the terms of the offer in order to check the fine print on applications on behalf of minors.

An emigrating investor

I MAY be emigrating to Canada in the next year or so and I wondered how long, as a Canadian citizen, I could keep my unit trusts, PEPs and shares before selling them. Some are new investments which I may have to keep for some time.

■ There should be no restriction on your retaining the investments you describe as long as you wish and the investment contract permits, but a different tax regime may make them less useful as investments.

Unsafe to take a salary

MY WIFE and I are sole directors of a private limited company. The company currently is not trading, has cash in the bank, and was trading up until about two years ago. I was the only director to receive a salary from the company. For the last financial year no salary was paid.

Is it possible for the company, from the funds at its disposal, to continue to pay me either a director's fee or salary even if the company is not trading?

Would the fact that I receive remuneration require annual accounts to be completed for submission to the Inland Revenue?

■ It would not be proper for you to receive remuneration as the company has not been trading. However, it would be feasible to pay any outstanding debts and to wind up the company, paying out any cash surplus to shareholders as a dividend.

MINDING YOUR OWN BUSINESS

David Powell offers three tips for budding entrepreneurs

What bank managers like

THERE IS a saying that the simplest way to start a small business is to buy a big one and wait. Sound planning, lots of determination and a little luck are the factors which get most businesses up and running. A friendly bank manager can also help and it pays to win his or her favour by basing your request for finance on a well-constructed business plan.

The first stage is to ensure you have a viable business idea. It is possible to sell ice to the Eskimos but you have to persuade them that your ice is better. What will convince potential customers to pay hard cash for your services?

You might wish to test your thoughts on someone skilled in helping businesses start up, such as your local Enterprise Agency. Agency counsellors can also advise on sources of grants and subsidised loans available locally. This will strengthen your hand with the bank and may reduce your need for finance.

The Enterprise Agency will also help construct your business plan which is the basis of your request for finance. It helps to look at it through the bank manager's eyes. He will wish to be reasonably well assured that your business can generate the cash to repay. He will look at three key areas.

First, you. There is no guaranteed formula for business success. The common factor is the drive and determination of the owner. So start with a precis of your track record. What relevant qualifications do you have, what is your business experience and how is your success demonstrated by your current financial position – house equity, savings etc? You need to convince the bank that you are well organised, have a reasonable grasp of finances and can be relied on to do everything necessary succeed.

Second, he will look at your plans for the business. He will wish to see a cashflow forecast and a profit budget. The two go hand in hand but are distinct. You can sell at a loss and still generate cash. Conversely, you can sell something for a profit but if your customer requires trade credit you can be bankrupt before being paid. You must ensure that your cashflow and profit objectives are in harmony.

The key to both is sales. Most start-up business failures occur because the owner has been over-optimistic about sales. If you can obtain firm orders, all well and good, otherwise you will need to estimate. The important point is to build reasonable assumptions into the plan. This will provide a yardstick of performance once the business is started.

The bank manager will also probe your cost estimates. Have all your overheads been included? Is there a ready supply of raw materials at the prices indicated? How do the wages you propose compare with similar employers in the area? The precise questions will depend upon the type of business envisaged but it is important to ensure that costs are reasonably based. A business can exceed its sales estimates, but if costs are higher than expected a crisis can still ensue. Make sure you know your break even point – the level of sales you need just to cover all of your costs – on a day to day basis.

The third area is the amount you wish to borrow, which will be compared with your own stake and your personal assets. There is little attraction for the bank to assume all the risk by advancing 100 per cent of the finance. Between 50 and 70 per cent is normally the maximum. Bear in mind that the risks in an untried venture can be high and the bank may well require security to fall back on.

None of this is more than common sense and most of the points apply equally to the established business. The business plan remains a key and not something which can be put to rest after the first year.

Be prepared for close questioning but, provided your plans are well founded, you can be assured of a warm and positive welcome – even if you are selling ice.

■ *David Powell is head of small business services, Natwest.*

Nicholas Garnett on a waste recycling company's struggle to survive

Lots of muck, but little brass

WASTE RECYCLING is often viewed as a way of delivering environmental benefits from rampant consumerism. But as a business venture it is more likely to waste money while failing to deliver profits. If it was that easy to make money, more people would be doing it.

North-East Recycling was set up just over a year ago by Pam Jose, a determined and persuasive 21-year-old who had previously worked as a hotel receptionist and as a seller of computers. In its first year of operation North-East Recycling, which collects a range of "waste" – from paper to polythene – sorts and sells it, has made a loss and failed to pay Pam a salary.

"It has been very hard but we are far from giving up. What we have to do though this year is at least break even and with the business paying me a salary."

One of the biggest headaches in setting up a local recycling company is that it requires a much larger infrastructure than many other small businesses. It needs premises, equipment and, because it is labour-intensive, staff. The logistics of collection are also awkward.

Having seen a charity-run recycling business close down in Newcastle upon Tyne, Jose thought there was a recycling niche that could be filled. Two banks turned her idea down but Lloyds gave the go-ahead after agreeing a business plan with her. She and her mother together put in £10,000. The bank made a loan of £14,000 against Pam's house, and an outside investor injected £5,000 as a personal loan. Newcastle city council made a grant of £3,000 with a similar one from the Department of Trade and Industry. There was also a £3,000 bank overdraft facility which has been used.

In the can: Pam Jose, head of North-East Recycling, with some of her raw product

A recycling business requires a lot of fixtures and fittings. Pam found a 4,000 sq ft warehouse with a leaking roof in a disused pottery near the north bank of the Tyne for a yearly rent of £12,000 which she says compared with the lowest figures of £18,000 for other properties and a second-hand paper-baling machine, advertised in *Waste Reclamation Weekly*, in Blackpool for £5,000; a new machine would cost £30,000.

She bought a Transit van which collects, on average, 120 sacks of paper and cardboard every day in a ten-mile radius of the warehouse on a lease for £3,000 over two years and a forklift truck for £10,000 over five years. She spent some £1,800 on collection bins. Collecting bags cost £85 for a thousand. The wage bill for a manager, assistant and three part-time sorters covering some seven months was about £12,000. Pam is the first one to concede that the financial performance of the company has been poor. Its turnover for what has effectively been nine months of proper trading was £20,000. It made a disastrous loss of £15,000 while Pam earned her own income from free-lance computer work after hours.

"Cash flow is obviously very tight and the bank has got a little jittery," says Pam. "But we made some mistakes in the first year and we are addressing those."

Finding supplies of waste from offices, shops, factories and the local university has not proved difficult.

"The public has responded magnificently. People want to be environmentally conscious and we can save them some money on their waste costs."

North-East Recycling sorts paper into four grades: computer paper, mechanical copy paper, white letters and coloured letters. It also collect polythene and rags. Alcan, the big aluminium company, has provided Pam's business with an aluminium can separation machine. She buys cans from schools and clubs, paying 40p a kilo. The company is also operating a pilot scheme with Procter & Gamble, the detergents group, and the city council for collecting plastic. Paper is compacted into bales of between 320 and 400 kilos and sold to Davidsons, a local paper production mill. Newspapers are not collected. "The bottom has fallen out of that market."

Pam says she is doing three things to try and dig the company out of its financial hole. A production manager has offered his services to help rearrange the warehouse. "We are handling the stuff too many times in there," she says. The company will also have to drop about 50 of its 200 paper pick-up points. "Sometimes we pick up, say, ten sacks and find that six are totally useless to us. The sites that provide this problem will have to be dropped."

Finally, she wants to increase the volume of material which carries a higher sale premium. This means moving away from paper. The company gets between £150 and £300 a ton for polythene as against £58 to £100 a ton for paper and £700 a ton for cans.

Perhaps Pam could not have foreseen the staff problems that blew up at the end of last summer. As a result, the company has about 2,000 sacks of paper still to be sorted.

"I think to a large extent we were underfunded. If we had more money to begin with, we could have employed better staff at the beginning."

It is that scarcity of funding which always makes companies like this vulnerable.

■ *North-East Recycling, Hoults Estate, Walker Road, Newcastle upon Tyne NE6 2HL. Tel 091-224-0341.*

COMPUTING

Know your data management

ONCE YOU HAVE chosen a word processor, the next requirement will be for a package to handle information, a database management program. Data, such as customer and supplier records, stock details and invoices can be filed in the computer and then cross-referenced and indexed with greater speed and thoroughness than with even the most efficient manual system.

But first a warning which applies to anybody setting up a computer system: never, NEVER, entrust all your records to a computer without taking precautions. The day will inevitably dawn when you switch on the machine and see only a message that there is a "read/write error" on the hard disk. This can mean the loss of vital information.

A later column will look at special programs to back-up the hard disk and ensure that you have copies of your records on at least one set (I recommend two) of floppy disks. But your MS-DOS manual tells you how to operate a cumbersome but serviceable "backup" and "restore" series of commands, which you should do regularly.

Database management programs come in two main categories, flat-file or relational. Both build up a database file from "records" (each analogous to a card). Each record is subdivided into "fields". One field, might contain the customer's name, the next, a street, the next a town and so on. Both types of database allow computerised cross-referencing within a file. So, for example a list of all customers living in Manchester could be extracted by selecting the town field. But only relational databases will allow such cross referencing between different database files.

This may not be necessary for a small business or for one which does not need a large variety of files. For the most part, the rule is that flat-files tend to be fast and easier on the budget while relationals, though more difficult to learn, are far more flexible and better at dealing with large amounts of diverse information. Most relational database programmes have special programming languages which allow experienced users to design their own database applications to fit exact needs.

Among relational databases the industry standard is set by the dBase programmes from Ashton-Tate. However, in recent years, dBase has been criticised for issuing new versions which are difficult to use and hungry for memory. The latest, dBase IV version 1.1, seems to have ironed out these problems.

Although it is an immensely powerful program, first-time users can run it easily from a well-designed Control Center mode which accesses many built-in features in a straightforward fashion. A tutorial takes new users fairly smoothly through the use of the Control Centre.

For those ready for more complex operations, there is a wealth (some might say a positive embarrassment) of documentation available with the package. If you need a powerful relational database with well-established support – including a sophisticated applications generator – then dBase IV version 1.1 (avoid its predecessor version 1.0) is worth considering. The main alternatives are: Borland Software's Paradox 3.5 and Database 4.2 from Sapphire, all cost a hefty £595.

Dataperfect (£495) from WordPerfect Corporation, is a good option if you are using that company's word-processor and need to exchange information between the two.

If you have the Windows graphical user interface on your PC, then you can make the most of it with Suberbase 4 (£595), from Precision, a convenient and versatile package with a remarkable range of features including the ability to file and display graphics (from sales charts to pictures) along with other data. In a limited field of budget relational databases, which tend to lack many of the features which make these programs easier to use, Sagesoft's Retrieve III, at £149, is a good option.

Flat-file packages should be considered with care by small businesses which believe they will not need a programmable heavyweight system. Button-Ware's PC-File 5.0 (£115), Borland's Reflex (£250) and Symantec's Q&A 3.0 (£280) are excellent programs.

All the prices are suggested retail prices and need bear no relation to those offered by software companies, many of which advertise heavy discounts. Checking the prices in computer magazines can save a lot of money.

Barbara Conway

Eyes right: members of Queen Mary's Army Auxiliary Corps are reviewed by the King and Queen at Aldershot

Private war for soldiers in skirts

***Roy Terry** looks at the role played by women in the armed forces*

"THE SAME as the men." During the Second World War that was the watchword of Dame Helen Gwynne-Vaughan, probably Britain's most famous woman soldier when, as head of the Auxiliary Territorial Service, she battled for her women in khaki to be fully accepted into the British army.

Not all on the general staff agreed with her. Having carried out Dame Helen's instructions that the ATS girls must take their turn with the men on the waiting-list for kit, and that one armchair for 10 women in a recreation hut was ample, an assistant exclaimed: "It's all very well, Ma'am, to keep on saying the girls must have the same as the men, but men's urinals aren't much use to a camp full of women!"

In today's modern army the contribution of women is so vital, and the course of equality has advanced so far, that there are about 40,000 US and 800 British women soldiers, sailors, airwomen, marines and medical staff serving in the Gulf. Recently the US forces announced that one female American marine had been captured by the Iraqis; and the debate about whether equality in the services had gone a step too far was reopened.

Ironically, in the bad old days the US Marine Corps demanded that its women marines "be the most attractive and useful women in the four line services", sparking off considerable inter-service rivalry until physical appearance became the chief criterion for recruitment.

"Even in the combat zone (in Vietnam)," says Major-General Jeanne Holm, former head of US airwomen, "where they were regularly diving for shelter in bunkers, the women were expected to uphold the image." So meticulous were the Marines that their women marines were required to wear lipstick and nail-varnish to match the braid on their uniform hats – Marine Corps scarlet.

Hardly surprising then, that the women rebelled, demanding development and expansion of job opportunities coupled with equal pay for work of equal value. That they achieved most of what they wanted can be seen in the Gulf today. Technically, however, they are still prohibited from taking part in combat – the only western countries to sanction women combatants are the Netherlands, Canada, Belgium and Norway. Since this non-combative rule was relaxed, these countries have not sent troops to war, and the effect of women next to men on the battlefield has not been tested.

One of the main arguments against women being in the front lines is that they are likely to hinder rather than help men at war. In arguing this way, no aspersion is being cast on the competence or bravery of women. In fact, the reverse has been found to be true – in this war, where computer power now tends to direct firepower, the dexterity of women sometimes far exceeds that of men.

The objection to women assuming an active role in killing the enemy is far more fundamental than any legal or logical argument; it takes into account cultural traditions, psychological attitudes and, to a lesser extent, physical capabilities, and expresses the most basic imperative of human beings, indeed of any living creatures – the survival of the species.

In almost every culture, female responsibility has been confined to the hearth, where she is the bearer and the rearer of offspring, a guardian of posterity. Males were the hunters and the fighters, providing a constant supply of food and guaranteeing protection. Young males were biologically and economically the most dispensable members of the tribe.

There is also a deep evolutionary symbolism in the warrior mystique, linked to chivalry and martial skills, and down the ages men have sought to preserve that feeling of exclusiveness.

Indeed, it is the natural chivalry of men that is the most convincing argument against women in the front lines. This is exemplified by the rule on board sinking ships, of women and children first into the lifeboats.

In reply, women in the forces argue that, because they are professional soldiers, men should disregard the sexual differences and get on with the job of fighting. After all, in uniform, and particularly in gas-masks and chemical-proof battle-dress, everyone looks the same.

Would that it were that simple. When under fire, men are likely to think of the safety of their women colleagues and in so doing might jeopardise their own safety or the security of their units. Is it likely that men would willingly allow women to undertake reconnaissance patrols with a high risk of capture or death? Indeed, can it be argued that women would be equally equipped to perform such tasks?

"If it is insisted that women should be judged in male terms against essentially male criteria, they will be doomed to frustration and failure," says Brigadier Shirley Nield, who retired last year as director of the Women's Royal Army Corps. "Moreover, the army will fail to benefit from their real and much needed talents. If we have to fight, we will, but we can make a better contribution elsewhere."

Brigadier Nield used a sporting analogy. She says that the majority of the army, both men and women, is not composed of essentially belligerent combat soldiers but is engaged in ensuring that the first XV arrive on the field in the best condition to win the match. "I suggest that placing a couple of women in the side on the field is not the best use of their talents."

The advocates of women in combat contend that society is in a period of transition and that by the 21st century the present constraints on women will have faded into obscurity. They view the military not as a follower of civilian customs but as an instrument to quicken change in sociological values.

The Gulf war has brought this question into sharp focus. Photographs of mothers bidding farewell to their children as they leave for active service has cast a harsh spotlight on the issue of sending women into battle. How far has society progressed along the road of equality that it overlooks the basic imperative of humankind? The British army, even now, does not encourage mothers to serve, arguing that it expects personnel to be ready to travel anywhere at any time.

This rule has been vehemently opposed by women who maintain that it prevents mothers from making a career in the services. The US forces have a more relaxed attitude, but this has not won universal approval. Brigadier-General Inez Bailey, a former director of the Women's Army Corps in the US, says: "We should bear in mind that equal does not mean identical. They are trying to make women look like men and act like men . . . I think women can retain the sociological aspects of their femininity."

Ultimately, the deciding factor is likely to be out of women's hands. On May 30 1918, eight women members of the Queen Mary's Army Auxiliary Corps (the forerunner of the ATS and the present-day Women's Royal Army Corps) were killed in a bombing raid near Abbeville, France. Up to this time the only "army" women killed had been hospital personnel.

War correspondents were outraged that the enemy had bombed a QMAAC camp, but it was Dame Helen Gwynne-Vaughan, who, typically, put the deaths in the right perspective by reminding them that because women were replacing combatants the enemy could be excused for killing them if he could.

In today's type of warfare it is far more difficult to shield women from attack, because front lines are not as clearly defined as they once were. Consequently, women are vulnerable wherever they are posted in the theatre of war. But to place them deliberately in the field of fire is unfair to the men who make up the cutting edge of the services.

Colonel Dahlia Raz, former commander of the Israeli Women's Corps, admitted: "We had some very tragic experiences during the wars, especially the last one [the Yom Kippur war of 1973], with prisoners . . . While it is tragic enough for men, it is much worse, much more deeply felt, for women to be captured . . ." In the end, public opinion and the battlefield experiences of men were the deciding factors.

Jacqueline Bowling, a US marine in the Gulf, summed up the situation: "The day the first woman Marine is killed is going to cause problems with public opinion. I just don't think that the public in general are quite ready to accept it."

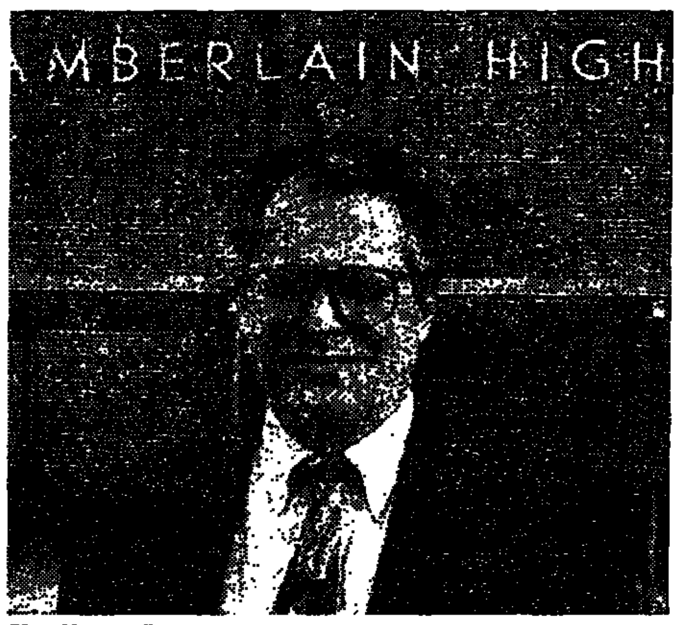
The Gulf war is not only the test of women in combat but may ultimately be a test of society itself.

■ *The writer is the author of* Women in Khaki, *the story of the British woman soldier.*

Back To School

Mixed blessings at Chamberlain High

Clay Harris finds a new racial harmony at his alma mater



Clay Harris: first among equals

MIXED SCHOOLS were old hat to James Gatlin and me. Growing up in Tampa, every school either of us attended was co-educational. But, even if we had not been 11 years apart, his path and mine could never have crossed in the classroom.

Florida law saw to that. Boys and girls together? No one could imagine anything else. Blacks and whites together? Never. That is all Gatlin heard during his time in racially segregated schools, and I for most of mine; the first black student transferred to Chamberlain High School only in 1967, a year before I graduated.

Gatlin has been principal of Chamberlain, a three-year comprehensive with 2,200 students, since 1984. He is the only black teacher to become a high school principal since Hillsborough County, which includes Tampa, integrated its schools in the 1970s. This year, 10 per cent of Chamberlain's students are black.

When I left Chamberlain in 1968, it never occurred to me – which is not the same as saying it was unimaginable – that the principal would be black the next time I visited.

It is fair to conclude that the idea was even farther from Gatlin's mind one summer in the mid-1950s when, as a teenager, he helped to haul the timber that would be used to build Chamberlain, a school he was barred by law from attending.

"I don't think students now have any appreciation for how the times have changed," says Gatlin. Immediately after integration, he notes, there was some conflict between black and white students, but both sides also tried to mix socially. But in the past decade there has been what he describes as voluntary re-separation.

This occurs both within schools – black students are less likely than whites to take part in clubs and other activities – and between schools. Many blacks are applying to attend schools closer to their homes, where the percentage of black students is higher.

Integration of schools has made little or no impact on segregated patterns of housing. Some whites may complain about busing, but it is usually blacks who are bused.

In Tampa now, white children typically are assigned to schools in black neighbourhoods only in the sixth and seventh grades (when they are 11 and 12 years old); in other years, they are more likely than blacks to attend a school near their own homes. As a result, the state system sees an influx of whites from private schools in the eighth grade.

To white suburban teenagers in the mid-1960s, the fight for civil rights was happening somewhere else. "There were no black people in our lives," a school friend recalls. But Southern whites in my generation were fortunate that changes came when they did, that we had seen what went before. We had grown up accustomed to segregated public toilets and separate drinking fountains, to blacks sitting at the back of the bus. When these petty manifestations of apartheid were removed, we learned a broader and unforgettable lesson about racism.

Tampa was at that time probably the most cosmopolitan city in the South apart from New Orleans and Atlanta. Never mind Miami's comelately role in the past 30 years as the Latin American capital in exile, Tampa had been a melting pot since the late 1800s because of Spanish, Italian and Cuban migrants who originally came to work in the city's cigar factories.

This set Tampa apart from the rural "crackers" out in the boondocks. Cuban sandwiches and chicken with yellow rice were staples of school lunch menus. Most of my Latin-surnamed classmates traced their Tampa roots back two or three generations and thus were far more "native" than many of my Anglo friends, who had recently arrived from Michigan or Massachusetts. This was an important lesson against easy assumptions about who "belonged" and who didn't.

When Bob Martinez, president George Bush's new "drug czar", speaks, you might think he was one of Jimmy Carter's cornpone cousins. But he is just a Tampa boy, and a former teacher at Chamberlain. Martinez had left before I became a student there, but my final year felt his influence.

Martinez (later to be mayor of Tampa and governor of Florida) was the local head of the teachers' union when it went on strike in 1968, an event without precedent in our sheltered lives. The strike ended inconclusively after a few bitter weeks, but Chamberlain's new principal – the previous one had been sacked for walking out – decided not to re-employ some of the teachers who had taken part.

One who was purged was Lynne Holland, a young teacher who had taught the advanced English class in my first year. She introduced us to *1984*, *Brave New World* and *Catcher in the Rye* – daring choices because of the racy language and sex scenes they contained.

Another victim was Nancy White, a remarkable enthusiast who had taught English and journalism since the school opened. The student newspaper and its editors and writers regularly won state and national contests. More than 20 years later, her journalism students at the local Hillsborough Community College still carry away all the awards.

But Holland and White were exceptions, along with Juanita Yanes, my Spanish teacher, who plans to retire from Chamberlain in 1992. I cannot recall being stimulated by assignments or stretched by examinations, even though I was in the advanced class for every subject.

I ranked first in my graduating class of 450, but the best I can say about Chamberlain academically is that it did me no harm. With no guidance from school, I won a scholarship which enabled my parents to afford to send me Vanderbilt, a selective private university in Nashville, Tennessee, which (ambitiously) fancies itself as the "Harvard of the South". I still believe in the democratic inclusiveness of comprehensive schools, but if my brighter classmates and I never got big heads, that was probably because no-one at school told us – or noticed – what our potential was. One friend says now: "Until I got to university, I thought the way we were was typical."

Chamberlain is now even more comprehensive in both its student population and its course offerings, but it is overawed with technology. Journalism students learn how to use a desk-top publishing system but not how to compose a news story. One class studies Russian by way of a two-way satellite link with a university 600 miles away; the library is now a "media centre"; and students produce the weekly school announcements on video.

Many of the innovations have been funded by grants from the Model Technology Project, a programme experimenting with ways to bring "older" schools up to date.

In a state where population growth long ago outstripped the willingness to raise necessary tax revenue, Gatlin has made a name for raising money from such sources. "You can't just fall back on what they give you. You have to market yourself," he says.

He publishes an "annual report of school progress". The latest shows that Chamberlain students surpassed state and national averages in all the standardised aptitude tests.

However, Gatlin has no illusions about many parents' priorities. Surprisingly, for a thoroughly comprehensive school, his biggest trial each year involves selection: how to choose 25 cheerleaders from 140 candidates. The places are so keenly sought after that the school board requires the participation of "professional" cheerleading judges; the procedure followed at one local school has led to a federal court case. In 1990, Gatlin had to hire two policemen to keep non-parents away from the closed cheerleading trials.

He shakes his head. "A few years ago, when state budget cuts meant increasing the average student/teacher ratio by one to 34:1, we didn't hear a peep from parents."

Outdoors

Time-travellers solve an Irish mystery

Tom Fort and friend track down the scene of an angler's Eden

THE MOST striking thing about the village – to me, at least – was the extraordinary number of pubs. There cannot have been more than 60 houses, yet I counted seven licensed premises – Maigniers, Roches, Fitzgeralds, Linehans, Browns, Garrys and the Cosy Corner. Had our purpose been to drink ourselves into oblivion, we would have needed to go no further.

But our goal lay up the hill from Castletownroche, a characteristic Irish village snoozing in a valley a few miles from Mallow, in County Cork. Using as our guide a book published almost 50 years ago, which describes things as they were almost a half century before that, we found the white-tipped spears at the main gate, and turned in to follow the long drive to the house. Time moves slowly in this part of the world.

We should, of course, have been fishing. But this was last September, and after months of drought, the Blackwater was in a lamentably fishless condition. A trip back in time seemed to offer more rewarding possibilities.

The inspiration was a brace of fishing books by G.D. Luard – *Fishing Fortunes and Misfortunes* and *Fishing: Fact or Fantasy* – which were published by Faber and Faber in the 1940s. Although they have long been out of print, they crop up often in second-hand bookshops and in dealers' catalogue. They are well worth hunting down, for each is delightful.

Luard was a career civil servant who rose to become clerk to the House of Lords – a post which, in those relaxed times, allowed him ample time to indulge his passion for sketching and prodigious enthusiasm for fishing. In the books, he recounts in wonderfully unaffected and vivid style adventures all over England, Wales and Scotland. But Ireland was his greatest love.

In the first book, he describes how he made friends at Harrow with Dick, whose family owned a great estate within sight of Galtymore Mountain; and how, as a tongue-tied schoolboy, he first visited this magic world and was made welcome in it, and began his fishing education.

It was in 1897 that he first boarded the Irish Mail, disembarking at the small white-washed station into the sidecar and cart for the last three miles of the journey. These were the golden pre-war years – this was a life of comfort and privilege revolving around horses and country sports, peopled by the ruling class and their faithful retainers.

Luard disguised the estate under the name Ballyhimmock, and refers only to the Big River and the Little River. Dick remains Dick, and no more. However, my friend Niall Fallon – an authority on books about Irish fishing and another admirer of Luard's writing – did the necessary detective work. As we pulled up outside the creeper-clad house, with the river valley dropping away behind, there could be no doubt we were in the right place.

The true name of the house is Annes Grove, and for 200 years and more it has been the property of one of the notable Anglo-Irish families, the Grove Annesleys. Dick was Richard Grove Annesley, a celebrated master of the Duhallow Hunt and a good deal else besides. He died in the 1960s, and the present owner of the house (much of the estate has gone) is his grandson. The Little River is the Awbeg, which runs into the Big River – the Blackwater – the other side of Castletownroche.

These are the bare facts. But there is more to Annes Grove, and to Dick, than this. In the books we see him as the hearty countryman *par excellence* – riding tirelessly to hounds, fishing for salmon and trout with immense energy and determination, striding around his estate with his dogs at his heels, attending to the needs of his tenantry.

Yet he had a passion which must have exceeded even those for hunting and fishing. For his legacy – as Arthur Hellyer, among others, has testified – is one of the outstanding gardens of Ireland. Its wonders – which draw thousands of visitors each year – are the walled garden, the slopes leading down to the river, thick with exotic trees and shrubs, and the mass of vegetation along the river itself.

Having inspected the stuffed fish and hunting trophies in the hall, and having been warmly received by Mrs Annesley, Niall and I strolled down the winding paths to the river. The water was exquisitely clear, given an amber lustre by its gravel and sand bottom.

We did not fish – although I am told that the Awbeg remains an excellent stream, for which day tickets may be obtained. Instead we looked for trout, which were everywhere. And we nodded respectfully to the ghosts from long-departed days: old Tom Lonergan the gillie, and Jock the wire-haired terrier, and the two friends with their fly rods to hand, ready for an evening at the big fish in the flats below the house.

A cosy alternative to teapots

A RECENT walk in a nearby wood left me with the impression that whoever had put up the bird boxes was an idiot. All the entrance holes had been placed against the trunks of the trees to which they were fastened leaving barely any space for the birds to get in and out even if they could find the hole in the first place. Later I discovered that these were dormouse boxes, not bird boxes. Dormice prefer their entrances to be against the bark of the tree so they can climb in and out more easily.

It seems to me entirely suitable that the conservation of the increasingly rare, but so-called common, dormouse should focus on providing it with somewhere to sleep. These animals have a reputation for falling asleep. Lewis Carroll was close to the truth when, at the Mad Hatter's tea party, his dormouse kept dozing off.

Even in the summer these small, furry-tailed chestnut rodents simply switch off when prolonged wet or windy weather in the summer prevents them finding food. They slow their metabolic rates and slip into a torpor from which they take up to 15 minutes to wake. In the winter they spend longer asleep than any of Britain's other hibernators, apparently at great risk to themselves, for it has recently been discovered that they simply build a barely hidden spherical nest under the moss of the woodland floor and curl up inside – but they rarely fall prey to predators.

The reduction in the amount of coppicing is largely responsible for the decline of the dormouse. Coppiced woodland is either grubbed out or allowed to grow until it no longer provides a suitable habitat.

A number of conservation measures have been undertaken to help stem the decline. These include: advice on the management of coppiced woodland to benefit dormice, a captive breeding scheme led by London Zoo and the building of over 300 nest boxes in the south west by school children who monitor their use.

Michael J. Woods

Lucia van der Post reports on a healthy market for contemporary furniture . . .

Sitting out a recession

ONE OF the sadder effects of the current recession is that many crafts people seem to be suffering seriously and may be put out of business.

As fewer people change houses or feel optimistic enough to contemplate generating new works of art, the supply of commissions has dwindled and many of those with workshops and assistants to pay are already in trouble. Few of the things they make come into the category of necessities in the immediate sense even though in the long term life would be impoverished without them.

Anybody who hasn't dared to buy modern furniture because they were worried that they might never be able to recoup the cost might like to look at what is happening in the auction houses.

Two of the major players, Christie's and Bonhams, are each holding big sales of contemporary furniture in the near future. Of course some individual pieces have always been sold second-hand but there has never been a really structured way of doing so. In the past the prices at auction of pieces by people like, say, John Makepeace or Alan Peters, have sometimes been disappointing – largely because they have usually been isolated pieces in a more general sale and therefore have not attracted enough notice or publicity. But this also happens, I believe, because many people are not yet aware of just what fine work some of our best designers are producing.

However, there is nothing like interest from the auction houses to make the sceptics sit up and take notice. For example, four years ago, a Danny Lane Etruscan chair (produced in a limited edition) sold for £300. Today the chair fetches £1,400. Two years ago a small chair by Tom Dixon, made from frying pans and ladles, cost £350; recently it fetched £1,400 at Salles de Druout, the Paris auction house.

Last year when Christie's included some contemporary furniture in its British Decorative Arts sale for the first time, all the pieces sold and most went for more than the estimated price. Danny Lane's first table made from forged iron combined with glass fetched the highest price of all, £6,050.

Already interest from collectors is riding high but don't be put off by the some of the suggested prices. At Bonhams you ought, for instance, to be able to get one of Alan Peters classic benches, this time a 1975 version in wedgewood, or an occasional table in walnut with satinwood bands by Rupert Williamson, for less than £500.

At Christie's there is a pair of Rupert Williamson's side chairs in maple inlaid with rosewood, each with a carved rectangular back and elaborate interlaced grill splat, with a suggested price of £1,200 to £1,300. However, you could probably buy the prototype of Nigel Coates' "tongue" chair (now manufactured by SCP) for about £600, or a Ram chair by André Dubreuil for roughly the same price.

Most of the pieces are the well-designed, beautifully made one-offs like the fine revolving bookcase in ebony and weathered sycamore by Alan Peters photographed here, or a sideboard in English oak, white limed with a grey background, by Ashley Cartwright, or John Coleman's cabinet in figured mahogany with painted brass legs.

A crucial point for would-be collectors to remember is that you should only buy what you like – but you should take care to educate your tastes a little first. You should look at as much contemporary work as you can. As with antiques, the best pieces appreciate in value much faster than the mediocre, but learning to recognise the best takes a little time. Visit students' shows and the few galleries and showplaces for contemporary work that exist.

As Peta Levi, a design writer and admirer of contemporary furniture points out: "In considering the value of a piece, it is important to know whether it has been conceived as a work of art; as a well-designed and hand-crafted one-off piece; or as a well-designed manufactured piece, and if so, whether it is in a limited edition."

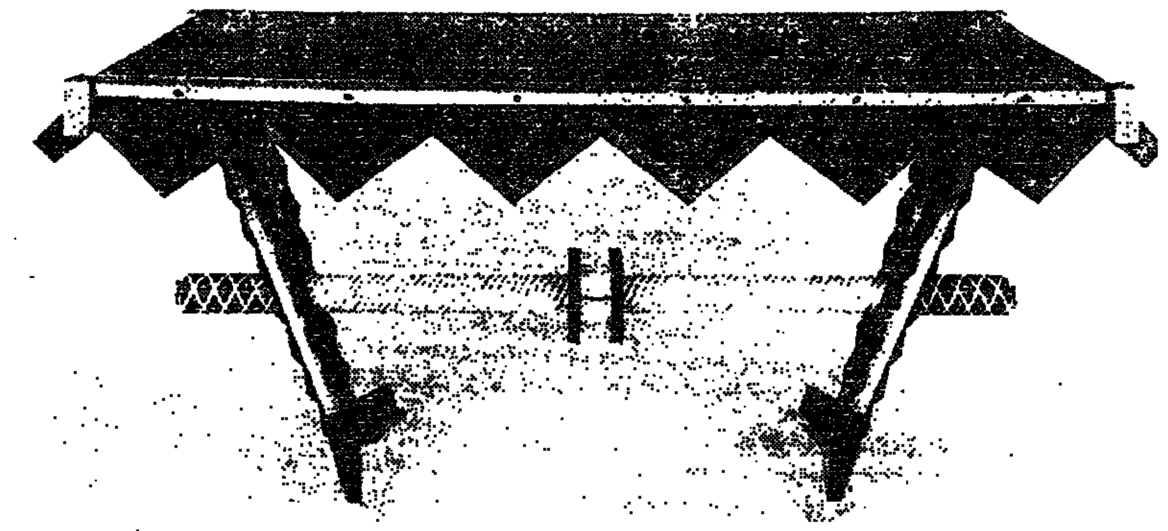
Most valuable of all are "the works of art" by people like Ron Arad and Danny Lane, who each will have pieces in the Christie's sale, and Fred Baier and David Field, who will have pieces at Bonhams.

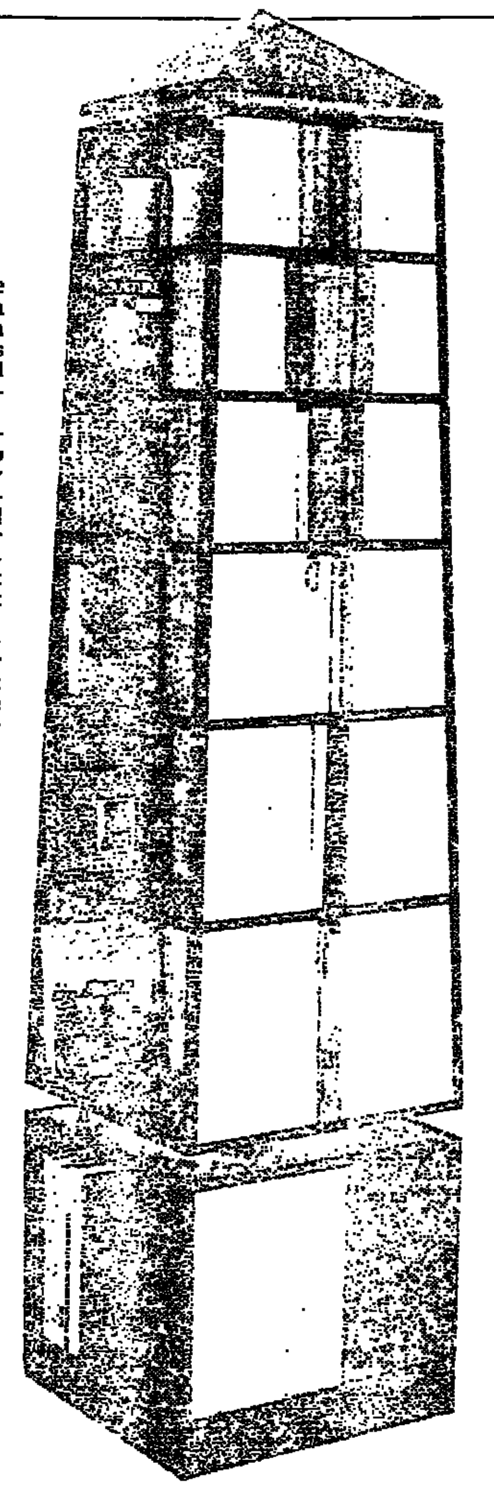
Anybody interested in contemporary furniture might like to go along at least to view and possibly to buy. Others who may be wondering whether to take the plunge and commission something special for their own houses might be encouraged by the thought that there is at last a market for the finest and best contemporary work.

■ Bonham's sale will be on Tuesday April 9 at 6 pm at Montpellier Street, London SW1, tel: 071-584-9161. Catalogues will be available three weeks before the sale at £8 each.

■ Christie's sale is on February 20 at 11 am and 2.30 pm. The catalogue is available now at £15 from Christie's, 8 King Street, London SW1. Tel: 071-231-5240.

Additional research by Peta Levi.





Court Jester's desk by Fred Baier, estimate £2,500 to £3,500 at Christie's. Right: revolving bookcase by Alan Peters, in indian ebony and weathered sycamore, estimate £6,000 to £8,000

. . . and previews a must-see show . . .

Spotlight on young talent

IF YOU really want to chance your arm, or more accurately, your eye, go along to the Innovative Lighting and Furniture exhibition at the Business Design Centre, 52 Upper Street, Islington, London N1 some time between February 20 and 23. Here you can see and buy the work of 30 young designers, all hot from the design schools.

It is a splendid venture, made thanks to the sponsorship of the Business Design Centre, and it enables the chosen 30 to get their work noticed free. Many of them are hoping not just to sell individual pieces but to attract the interest of a manufacturer or a a special commission from a private customer.

It's certainly as good a place as any to see what our youngest and brightest contemporary designers are up to. Look out for John Creed's innovative carbon fibre chairs, for Falcon Driscoll's low-voltage flying saucers of lights, and for Robin Evans's elegant upholstered dining chair in cast aluminium. The show is on from 10 am to 9 pm on Wednesday, Thursday and Friday but from 10 am to 6 pm on Saturday 23.

■ What should a retailer do in these recessionary days? Concentrate on service, service, service, I should say. Some of them would say that that is what they have always done, but we, the customers, never perceived it that way.

Be that as it may, Burberrys of London certainly runs what seems like an excellent service to those who lead busy or far-flung lives. Under its Home Shopping and visiting Tailor Service one of its representatives will visit a customer at any time or place and bring either a selection of ready-made garments (sweaters, raincoats, skirts, blazers, ties, shirts . . . you name it) or a swatch of fabrics from which cloth can be selected and a suit made up – and all this is offered at no extra cost.

Farmers have been measured for suits in the middle of fields of cows, ties have been chosen in the midst of phone-calls across the Atlantic and vital decisions on such matters as the width of lapel or the number of vents have been taken with a weather eye kept on a moving computer screen.

Needless to say the fitting and final deliveries are made in the house, office or other chosen place, wherever that may be in the British Isles, including Northern Ireland and the Channel Islands.

If you, too, are longing to smarten up your image but can't make it to a tailoring establishment, you could ring either Terry Reynolds or David Thursby on 071-839-2434 and they will organise for Burberry to come to you.

Gardening

In hibernation with a good friend

Why Robin Lane Fox has taken to a birch at bedtime

DURING THE cold weather, horticultural hibernation takes over: for me, it has led to long spells in bed with the Plant Finder and careful thought about birches. If you think that the Plant Finder is in her thirties and alive to every gardener's wishes, you have got me wrong.

The *Plant Finder* is the book (£9.95) which tells you where you can buy anything available in Britain for the next planting season. The reason for thinking of birches is quite innocent. In the clear, cold weather, the best of them have been looking magnificent, shown off by sunlight on their bark. The *Plant Finder* tells you where to buy them.

Many of us think of silver birches as the emblem of the Home Counties and a feature of John Betjeman's suburban poems. Birches do not have to be silver: eastwards round the globe they change from white to brown to apricot and back to yellow. They are silver in Britain, white in the western Himalayas, brown in Nepal, orange-apricot in west China and yellow when you circle the globe and return to the east coast of North America.

In Britain, we can grow all of them, including a green-leaved form which looks like an alder and has an impossible name: there are, however, some traps for the unwary. Birches intermarry freely and their hybrid children vary widely: as a result, their naming is a muddle.

In all innocence, nurseries may not be selling what you and they expect: a favourite birch is called dalecarlica, but it is no longer clear that our plants of it are this cut-leaved variety at all. The colour of the bark will vary with the soil and climate: it also changes with age.

Young plants will often give you no idea of their colour and maturity: you cannot choose them on sight at a plant-centre. Perhaps it is not surprising that most people remain with the British silver birch and stray no further than a weeping or purple-leaved form. They miss some serious beauties and more determined planters should do more research.

There is a simple way in which to learn the facts. One of the nurserymen who knows most about this family is Kenneth Ashburner: in 1980, he published a survey of the family in the more specialised of the Royal Horticultural Society magazines, *The Plantsman*, with a shorter follow-up in 1985.

Horticultural libraries keep the magazine and if you want to plant something different on a farm, small-holding or country retreat, it is worth consulting this article in order to broaden your ideas. Birches do not have to weep or look a pale grey.

The best birch I know grows in the Botanic Garden in Edinburgh where it used to be labelled Betula jacquemontii. The home of this white-skinned beauty lies in the western Himalayas, but there was always something special about the Edinburgh form. If you or I bought a birch with the same name, it was never so obliging or so brilliant.

We now know why: the Edinburgh form is itself the child of a promiscuous marriage, probably with a North American intruder. It is a distinct plant, now named and beginning to be offered on sale as Inverleith. If you come across it, buy it immediately: it is twice as good as anyone else's.

I have a particular problem for this family: a thin depth of garden soil above a thick layer of post-glacial stones. Paper birches sound like a romantic answer, the American papyrifera variety. However, I would avoid them. The bark, admittedly, is waterproof and in desperation you could make the tree into a board or use it to patch your roof: in North America, Indians used it for canoes. Nowadays, we have fibreglass and the paper birch is an unpredictable tree whose colour varies greatly. On a poor soil, I would look further afield.

For a dry garden, one of the best is the Eastern birch called ermanii. Its bark is cream-white and peels slightly: its natural home is at a higher altitude where the soil is dryer. As a general rule, the whiter the bark of the birch, the higher up the mountain it grows. None of them prefers dry weather, but ermanii is prepared to tolerate it in stony conditions. The best form is Grayswood, which needs to be ordered from someone who knows its parents.

Since the 1920s, the best birch collection in Britain is in Herefordshire at Hergest Croft, near Kington. As a mature birch is often so different from a young one, it is important to see the rarer varieties after years of peace in one place: at Hergest Croft, birches have had the advantage of two generations of birch-fanciers in the Banks family who still own the garden.

The collection continues to grow.

A specialist collection enables you to sort out their weaknesses. At Hergest, and elsewhere, one of the birch's supposed weaknesses turns out to be untrue. The trees are often mixed with azaleas which have been planted quite close to the trunks. It is often thought that birches dry out the soil beneath them so that nothing else will grow. In fact, birch-roots are usually quite shallow and a tough azalea will reach beneath them while enjoying the light and shade from birch-branches overhead.

The shallow roots may be a reason why many birches look so wretched in a summer like 1990. It was the worst advertisement for the small, weeping form called youngii, which has a way of looking especially wretched when tied to a cane in a front garden during a drought. I prefer to think of other birches in a truer light. Without snow, the early bulbs will soon be out in force. In my mind's eye, they are there already, carpets of aconites, snowdrops and early anemones beneath the trunks of maturing white birches. Keep smiling at the prospect: it will not be snow, ice and hell for very long.

Big marrows and tiny toms

SEEDSMEN ARE responding to an increasing trend towards vegetable growing by marketing varieties with special attractions for people with small gardens and those who wish to make minimal use of pesticides.

Suttons Seeds, of Torquay, has pictured on its 1991 catalogue cover a new lax-stemmed bush tomato growing in a hanging basket – probably the ultimate in space saving. Its name is Tumbler, it is an F1 hybrid that produces a heavy crop of small fruits. One suggestion is that it could be combined with a trailing lobelia in a hanging basket to increase the decorative effect.

Suttons is also listing a range of vegetables with pest and disease resistance. These include: carrot F1 nandor, resistant to greentop; Lettuce musette, resistant to virus and root aphid; tomato F1 Shirley, resistant to virus, leaf mould and fusarium wilt; and parsnip white gem, resistant to root canker.

This same emphasis on disease resistance is evident in the Thompson and Morgan, Ipswich, seed catalogue, notably with a bush-type marrow named F1 Tiger Cross. This is resistant to cucumber mosaic virus, a common disease of marrows as well as of cucumbers.

Another newcomer in this list is brussels sprout icarus – especially recommended to those who do not much care for this slightly bitter vegetable. The bitterness is caused by mustard oils which are naturally present but in icarus are exceptionally small. Icarus is also said to have a higher than average vitamin C content.

There are some other noteworthy tomatoes including F1 totem, a bush variety of normal habit and medium-sized fruits, ideal for growing in containers or spaced closely in beds. It is listed by Johnsons Seeds, of Boston, Lincs. Two other bush types which gave the highest yields in outdoor trials last year held at the Northern Horticultural Society's garden at Harlow Carr, Harrogate, were Tornado, sent by Suttons, and Spartan, sent by Unwins, of Histon, Cambs. In Harrogate tomatoes are close to their northern limit for growing outdoors without protection.

Two of the most profitable vegetables in terms of ground space occupied are runner and climbing French beans. Both can be trained up almost anything; walls, fences, screens, poles, tripods or on strings attached to horizontal bars or beams such as those used in constructing pergolas. All kinds can be decorative when in flower.

These variations could be grown in mixture to increase the decorative effect. Runner beans were also included in the Harlow Carr trials. The one selected for special note was Royal Standard, a red-flowered variety sent by Thompson and Morgan. The first early potato to give an excellent crop in spite of the dry spring and summer was Rubinia sent by Marshalls, Wisbech, Cambs. So did a main crop potato named Alhambra, from Unwins, Histon, Cambs.

Sweetcorn, like tomatoes, becomes more difficult in the open the further one goes north so success at Harlow Carr is of special interest. The highest yielding varieties were Candle, from Suttons, and Sundance, from Unwins.Two new varieties, Dynasty and Conquest, from Thompson and Morgan, showed promise.

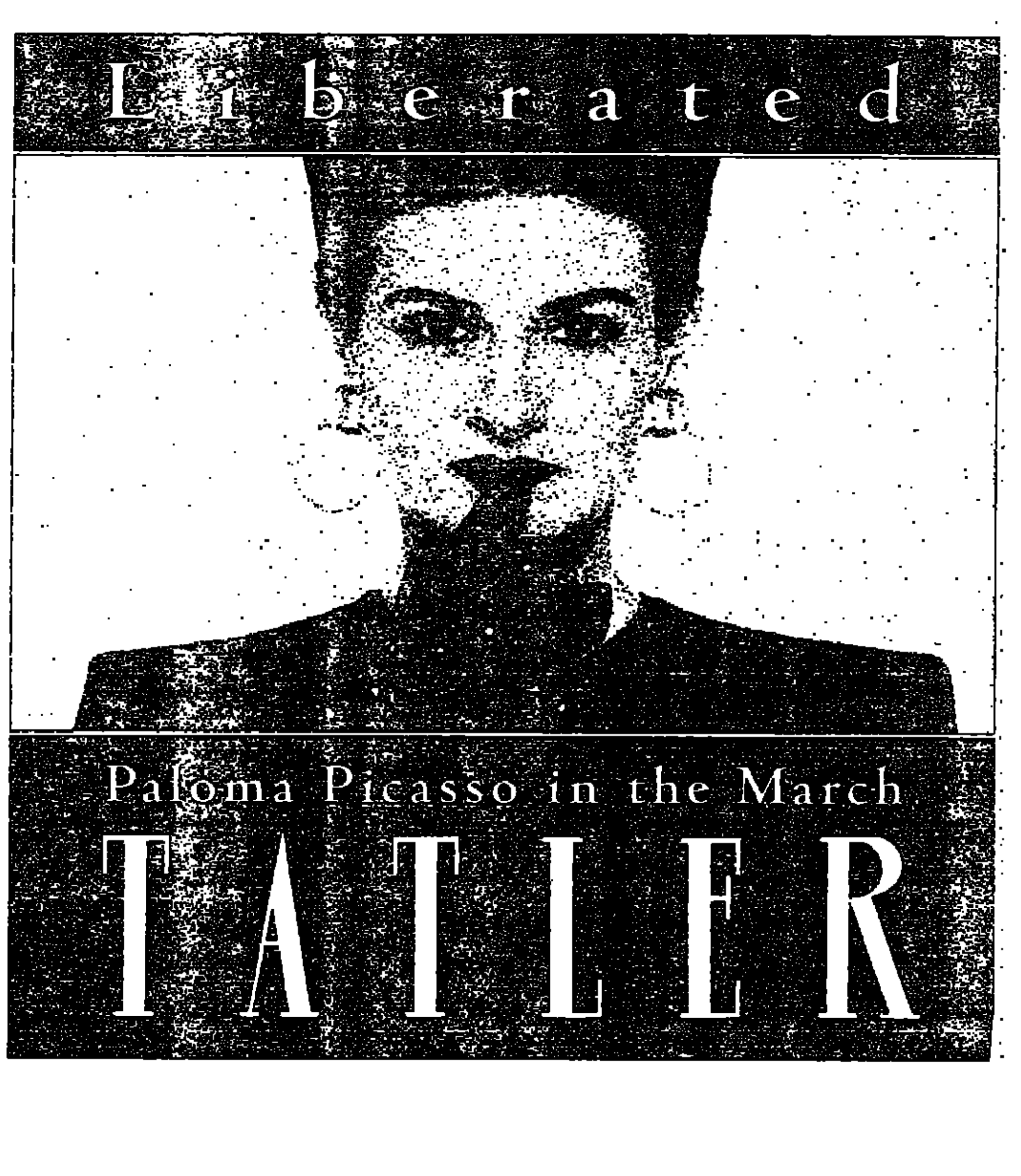
Cauliflowers for use in early summer have been assessed after three consecutive years on trial at Harlow Carr. The best for earliness have proved to be Alpha Polaris (Suttons) and Alpha Peloma (Unwins) both of which were ready by the first week in June.

The highest yielding varieties, all ready in July, were Montano (Marshalls) and Andes (Suttons). An early pointed cabbage named Duncan from Unwins, which can be sown several times for successional cutting, is also recommended in the trials report and a white-skinned onion named Albion (Marshalls) is said to store well.

All salads are good garden crops because they do not take up a lot of space and are so much better in quality when cut and eaten the same day. Lettuce Little Gem is old but still very popular because it is small, sweet and crisp and has the upright, tight-packed leaves of the cos type. It is one of the very few varieties which is sold in supermarkets under its own name.

Another is iceberg, the big ball-shaped lettuce with crisp, tightly-packed leaves but this takes up a good deal of room. There is a similar red-leaved type, named red iceberg, which might appeal for decoration and eating.

Arthur Hellyer



PROPERTY

Shattered calm undermines rural charm

*South Oxfordshire is under a shadow, but **Michael Hanson** finds that the M40 is attracting buyers further north*

NOW THAT the US Air Force is more active at Upper Heyford, Oxfordshire estate agents find that buyers from Birmingham attracted by the completion of the M40 from Oxford to Warwick are anxious about aircraft noise in the villages around Banbury and Bicester.

Ian McConnel of the Banbury office of Savills (tel: 0295 263535) finds people are reluctant to even look at the Manor House at Lower Heyford because of the name of the village. So this 17th-century house surrounded by farmland owned by Corpus Christi College is still on the market at £475,000.

"Lower Heyford is a mile and a half south of the airfield, and not one American aircraft flies over it – though they do fly over villages east and west," he says.

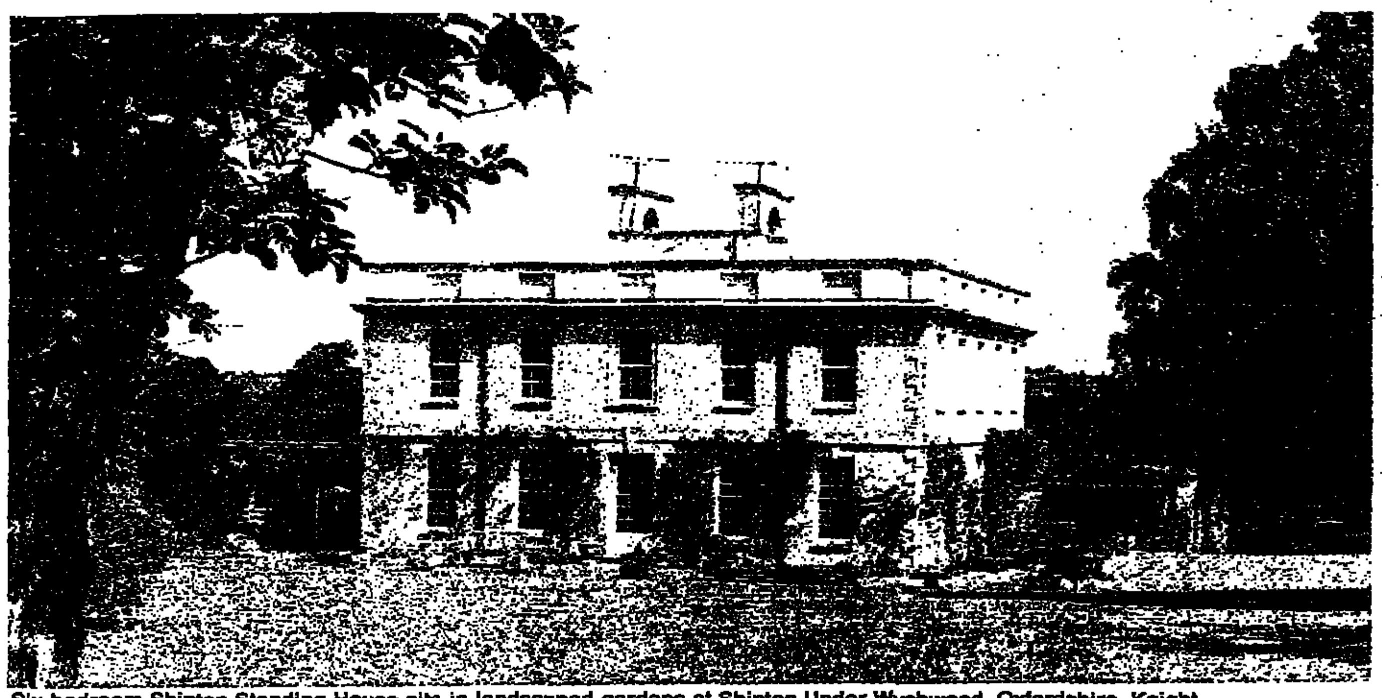
Aircraft noise and the Gulf are never far from people's thoughts, for the military airfields at Brize Norton and Benson in south Oxfordshire are also busier than usual. Jonathan Crellin, of Carter Jonas at Oxford (tel: 0865 511444), says: "The Gulf War is being used as an excuse by people holding off bringing their houses on to the market. There is a lot of interest at the moment, but it is difficult to clinch a deal."

He finds that 50 per cent of buyers are still coming from London, looking for weekend cottages. He has a four-bedroom thatched one at the end of a quiet village lane at Fyfield, where the price has been reduced to £169,000. He put another thatched cottage at Towersey on the market at £229,000 last year, and the first person to see it offered £219,000 but was rejected. Now its price has been reduced - to £219,000.

Bertie Ross of Savills in London (tel: 071-730 0822) thinks he has a buyer for Great Rollright Manor, a lovely Cotswold house near Chipping Norton, which is under offer with 35 acres for much less than its £1.75m guide price, but most of the rest of the 566-acre estate is still available.

Everywhere in the county the old order - and the new - is changing. Alan Bond, the ex-XXXX Australian tycoon, sold his 2,000-acre Glympton Park estate next to Blenheim Palace last year for much less than the £13m he paid for it in 1988. Sir Simon Hornby, chairman of W H Smith, got less than the £8m he wanted for his 1,300-acre Pusey estate near Oxford – over £1m less according to James Wilson of search agents Wilson & Wilson who acted for the buyer, Robert Montague, executive chairman of the container company Tiphook.

Only lyric-writer and avid cricketer Tim Rice managed to get more than his asking price of £1.25m when he sold Romeyns Court, his 17th-century house in nine acres at Great Milton, last year. Now its neighbour, the Great House, immediately opposite the parish church, is for sale with 11 acres. A buyer who offered just under £1m for it last autumn later withdrew, and the house is for sale at £850,000 through Knight Frank & Rutley (tel: 0865 790077).



Six-bedroom Shipton Standing House sits in landscaped gardens at Shipton Under Wychwood, Oxfordshire. Knight Frank & Rutley's Oxford office (0865.790077) is looking for offers "in the region of" £575,000

One great house still without a buyer is Bletchingdon Park, an 18th-century Palladian mansion between Oxford and Banbury, which was owned after the second world war by the 3rd Viscount Astor until he moved to Cliveden in 1953. He sold the 2,846-acre Bletchingdon estate to Lord Rotherwick, deputy chairman of British & Commonwealth Shipping, who resold it in 1967 to Associated Portland Cement Manufacturers. They broke up the estate, selling the Grade II* listed mansion with 53 acres in 1969 to a private buyer, and 2,220 acres of land in 1972 to Prudential Assurance.

The mansion was resold in 1975 to a buyer who leased it to a Spanish school until last August, when it was placed on the market for sale with 32 acres by Christopher Buxton, who lives at nearby Kirklington Park. He bought Bletchingdon Park in 1988 in order that his company, Period & Country Houses, could convert its magnificent stable block into ten houses, six of which are already reserved at prices from £150,000 to £250,000 through Cluttons (tel: 0865 793900) before construction is completed later this year.

Joint Oxford agents, Knight Frank & Rutley (tel: 0865 790077) and Cluttons (tel: 0865 246611), were asking £3m for Bletchingdon Park last summer, but they have now reduced the price to £2.35m, at which price it may soon find a buyer.

Christopher Buxton admits: "I had hoped it would become a private house again, because it would not convert readily into flats, but it would make good head offices for a small company. It could also be a hotel, which is why I have applied for planning permission for a 36-bedroom annex to be built in the woods. If anyone wants more land, the adjoining landowners have indicated they are willing to sell up to 290 acres, which would make it possible to have a golf course."

Nick Hextall of John D Wood & Co (tel: 0865 311522) thinks the M40 extension will enhance the attractions of properties between Oxford and Banbury, particularly those in villages such as Enstone and Woodstock that now have fewer lorries rumbling through the streets, though it may affect those on routes leading to the motorway. Surprisingly, he has yet to find a buyer at £295,000 for Peacock Cottage, a five-bedroom thatched cottage at Lower Radley, near Abingdon.

Yet the market is "quite active up to £300,000," says Mark Smith, of Knight Frank & Rutley. "A lot of buyers are around, but they are reluctant to make bids for houses. In Oxford itself it is difficult to find a house for less than £300,000, because many of the large houses in the city have been turned into flats or hostels for students."

Giles Robinson of Lane Fox's Pangbourne office (tel: 0734 845757) would love to say more about the "exceptional" house he has just sold for 10 per cent more than its asking price of £500,000 after only ten days on the market, but both the buyer and seller have sworn him to secrecy.

"I am finding the market very busy at the moment," agrees Paul Dalton, of Britton and Dalton at Henley (tel: 0491 574686). He has flats at prices from £52,500 and weekend cottages from £85,000 – though much more if one wants to be close to Henley's greatest liquid asset, the Thames. A two-bedroom cottage in Wharfe Lane for example, right across the Thames from Leander Rowing Club, is for sale at £185,000.

Although he does not think the Gulf War is having any effect on sales, only one of the 14 houses in the award-winning conversion of Fifield Farm Barns by local farmer John Allwright and architect Laurie Garrard has been sold since last May, even though prices start from as little as £115,000. Perhaps its proximity to RAF Benson does not help.

Eastern promise lacks a market

LOVOSICE, is a dusty town in pleasantly rolling countryside in Bohemia, Czechoslovakia, with an outcrop of 1960s housing estates that would not look out of place in central London (even the lamp posts are identical). It gives every sign of being, on immediate acquaintance anyway, a town that has lost heart. Its fine baroque church is festooned with drooping wires and rusty loudhailers hang near the three marvellous statues that are somewhat lost behind its rear wall. At eleven on a Saturday morning the lads were well away in the bar of what seemed the only hotel.

I had arrived after braving highways littered with accidents – Czechs are perhaps the world's most bravura drivers – and by-ways dotted with abandoned mansions splendid even in decay. It was one of those pilgrimages which has become increasingly common all over what used to be eastern Europe, to find what was once the family home. Driver and car, a Soviet vehicle built, I was informed, "like a tank" had been secured with a fistful of crowns topped up with dollars.

The countryside was familiar from grandmother's photographs. And the house, prominent on the main street and painted a slightly bilious yellow was soon obvious. Now serving as the local finance office, it was a fine example of turn-of-the-century Bohemian architecture, gloriously and unrepentantly bourgeois.

Such pilgrimages lend nostalgic charm to a vacation and arouse no doubt unrealistic expectations that history can be rolled back. (My Czech legal adviser is quite as dilatory as any closer to home, and having started in crowns now requests payment in Deutsche marks). In spite of superficial attractions, this property market has been hamstrung by many obstacles among which the vexed questions of ownership, privatisation and restitution loom large.

The Czech government has been attempting to resolve some of the anomalies. In October it passed an act dealing with the restitution of property taken over by the state between 1955 and 1959. The deadlines for claims is May 1, 1991. The properties affected were mostly small businesses and houses and the government is expecting to have to restore some of 70,000 homes, or otherwise compensate the owners. A further bill dealing with property restitution is under consideration for next year. Meanwhile the privatisation of small businesses, originally scheduled for the end of this year will now go ahead in 1992.

The private sector remains small and the first wave of "commercial tourists" have come and gone leaving in their wake tales of would-be property tycoons flying in with suitcases of dollars, only to find they had come a decided cropper. The idea of buying mansions for tuppence was never really on, says Chris Drury of Jones Land Wooton: "refurbishment in an environment where neither materials nor expertise can be guaranteed is an uphill struggle, " he says.

But the new generation of officials shows a tremendous desire to do things right, and to promote their cities in the best possible ways and to that we can make a contribution.

Jeremy Brown of Cooper Lybrand Deloitte, which has an office in Prague staffed half in half by British and Czechs, agrees: "There is a need to set up a whole ladder of procedures about who can own property and under what conditions. If there is no market in land there is no way of establishing a price. We cannot just throw open the doors. It would be like the Spaniards in South America."

The Czechs need the financial weaponry. Cooper Lybrand has been working to devise, among other things, a system of social ownership of low cost housing. Such moves may take the edge off the resentment many ordinary Czechs and Slovaks feel at the inequality of the competition.

James Croft of Richard Ellis is more critical of the financial acumen of a government of romantics backed up by "good old boys" of the former regime: "They are complacent. They need investment capital. They haven't got it so they have to get it from outside but they have not so far provided the legal and business environment that is conducive to getting it," he says. Foreign businesses cannot buy freehold property and sell it. If one advances money against security one cannot then take possession, should one wish to.

Most foreign interest so far has been in hotel and office space. And of course there are those undeveloped castles. In the last year some 200 proposals for the construction of office buildings have been put forward and are due for consideration next year with priority being given to mixed use projects, while the number of state run construction companies listed has doubled .

Meanwhile Czechoslovakia is still a country which, by even the most churlish reading, offers financial opportunities "pent up" though they might be.

Verina Glaessner

COUNTRY PROPERTY

LONDON RENTALS

INTERNATIONAL PROPERTY

LONDON PROPERTY

The spirit is weak but the body delicious

Jancis Robinson finds wines with less alcohol

MOST PEOPLE who try to educate us about alcohol are delightfully ignorant on wine. They tend to treat it as a homogeneous commodity that can easily be divided into neat "units" of alcohol (of which "sensible" men are officially allowed 21 a week while we weaker vessels are allowed only 14).

The truth is of course that even among wines designed for the table (as opposed to sherries, ports and other wines that have been deliberately beefed up with added alcohol), the alcohol content can vary by up to 100 per cent. I suspect knowledgeable wine drinkers sagely nod their heads when told to limit their consumption to, say, three units, or "glasses," of wine a day and dash home to lay in stocks of the heftiest wines available: Barolo, Amarone, old-fashioned California reds and their Sicilian counterparts that can easily nudge over 14 per cent alcohol. Self-deception is a much more comfortable drinking companion than a pocket calculator.

I suppose it is useful for wine drinkers to have some sort of equivalency with beer and spirits intake but I cannot warm to the notion of reducing a drink as exciting and varied as wine to units. It makes it sound like ready-made kitchen furniture.

For the record a "unit" of a wine that contains 14 per cent alcohol is about a tenth of a standard bottle, while a "unit" of one of the lightest wine types available, containing only about 7.5 per cent alcohol, is almost a fifth of a bottle, a generously sized glass indeed. So "sensible" male drinkers are allowed two bottles of Barolo a week but four bottles of Bernkastel. It is clearly worth noting the alcoholic strength that is mandatory on all labels.

Happily for those trying to cut their alcohol intake, the world's lightest wines include some of the most delicious – as well as some of the most dire. The Mosel valley with its tributaries the Saar and the Ruwer is the temperate wine drinker's most obvious hunting ground because it is so far from the equator and the sugar, therefore alcohol, factory we call the sun.

Also, local custom has taught Mosel growers to squeeze every available drop of wine from each vine. Unfortunately, the two or three dozen top Mosel estates are neighbours of some of the least quality-conscious wine bottlers in Europe, typically based around Bernkastel, so the Mosel's distinctive slender dark green bottle is no guarantee of the brilliant crystal clear, crisp and light-yet-concentrated fruit flavours of the great Riesling grape that define the region at its best.

The less scrupulous bottling lines can seem awash with nothing more exciting than sugar water but you can usually tell them by the suspiciously low price tag.

Whatever their intrinsic quality, wines produced in the valley of the Mosel-Saar-Ruwer in Germany, and the Moselle in Luxembourg, may be only 7.5 per cent alcohol. (The very sweet *Beerenauslese* and Trockenbeerenauslese examples may be even lower in alcohol, but there is another brake on their consumption: they are so rare they can cost more than £100 a bottle, as those in Justerini & Brooks' current offer of supersweet 1989s do.)

Extra sunshine made the 1988, 1989 and 1990 vintages exceptional in the Mosel. You can get your hands on some really inspiring bottles for around a fiver that in the case of the 1989s have the opulently ripe fruit (although still low alcohol levels) that makes them delicious drinking now but that can be kept for five, 10 or more years to develop more subtlety.

Until recently just about the only stockists of fine German wines were traditional specialists such as Adnams of Southwold (tel: 0502-724222); Justerini & Brooks, 61 St James's Street, London SW1 (071-493-8721) and Edinburgh; Lay & Wheeler of Colchester (0206-764446); OW Loeb, 64 Southwark Bridge Road, London SE1 (071-928-7750) and The Wine Society of Stevenage (0438-741177) which has just made a first-rate offer of 89s.

Now a newer breed of specialists and a handful of the chains and supermarkets are at long last taking Germany seriously and queuing up for their own allocations from the Mosel's finest producers such as – and I happen to think each of these deserves a fanfare from the top of one of river's dramatically steep vine-covered banks – Joh Jos Prüm, von Schubert at Maximin Grünhäuser, Reichsgraf von Kesselstatt, Dr Loosen, Fritz Haag, Max Ferd Richter, Egon Müller, von Hövel and Zilliken.

Two almost one-man-band wine merchants with many years' deep understanding of the Mosel's finest are Philip Eyres, Chalk Pit House, Coleshill, Amersham (0494-433823) and Freddy Price, 48 Castlebar Road, London W5 (081-997-7889). Eyres has von Schubert, Dr Loosen, von Hövel and Friedrich Wilhelm Gymnasium, one of the historic estates based in Trier, while Price has Richter and the featherlight Saar wines of Schloss Saarstein. You may have to buy a dozen bottles at a time but these wines last and evolve, if not forever, then certainly decades longer than most Chardonnays.

PICK OF MOSEL RIESLINGS

THE BEST Mosel Riesling buys from bigger branches of the chains, with their appallingly complicated names, include:

GATEWAY: The latest supermarket chain to try to convince their customers German wines are *not* unfashionable. Oberemmeler Rosenberg Spätlese 1989 von Kesselstatt at £5.75 is available only at top stores but is worth seeking out: a classic jewel of a wine with the full honeyed floral array of ripe Riesling aromas but still admirably tight. Will go on improving for a decade.

MAJESTIC: Recommended last Christmas but try to track down some of the remaining bottles of von Kesselstatt's miraculously light-yet-powerful Scharzhofberger Kabinett 1989 at £4.99, which will be replaced with another equally exciting bargain from von Kesselstatt.

ODDBINS: Two fine Max Ferd Richter 1989s: a nutty, ultra-ripe Mülheimer Helenenkloster Kabinett at £4.99 and an intrinsically riper but still far-too-young Mülheimer Sonnenlay Auslese worth far more than its £6.99.

SAFEWAY: Trierer Deutschherrenberg Spätlese 1983 vereinigte Hospitien £5.35. An antique from another great vintage; still very taut and only *just emerging from its shell but* quite a bargain.

SAINSBURY'S: Two nicely firm and no more than off-dry 1988 Kabinetts, Trierer St Maximiner Kreuzberg at £4.45 and Wehlener Sonnenuhr from Dr Loosen at £5.75 (£68.04 a dozen from Philip Eyres) They could be drunk as an aperitif or with many a first course.

TESCO: Trittenheimer Altärachen Kabinett 1988 Ernst Clüsserath £4.49 Good grapefruit raciness plus well-balanced substance.

Cookery

A forbidden pleasure of Lent

Philippa Davenport offers a rich and eggy recipe that would suit any tray

ONCE upon a time Lent meant giving up many things for the full 40 days, eggs included. This is one of the reasons why cooks of old felt obliged to toss so many eggs on to their Shrove Tuesday menus. All stocks had to be used up.

Unrepentant hens, no respecters of fasts imposed by the church, refused to quit laying during Lent. Their industrious sit-ins meant larder stocks grew and grew. Cooks had to tackle the nest egg at the first opportunity. So on Easter Sunday, like Shrove Tuesday, we were forced to eat eggs galore: soft or hard boiled, painted or dyed, chocolate filled or whatever.

Such extremes are no longer mandatory. The eating of eggs, like fish, is permitted throughout lenient Lent.

The Lenten egg is good news several times over. Cooks go to work on an egg gratefully, because most egg dishes are so quick and easy to prepare. From the diner's point of view eggs are such comforting food, just the thing to tuck into at this low ebb of the year. Is there anyone who does not long occasionally for the sort of soothing dishes Noel Coward had in mind when he said that all he wanted was "a little eggy something on a tray"?

When friends come to share a meal, however, I imagine you will want to serve something that will make them feel cosy but which is a little less nurserified than boiled eggs with bread and butter soldiers. I recommend Omelette Arnold Bennett, a delectable confection of eggs and smoked haddock, which is so called, I believe, because the writer ordered it so often at the Savoy that they named the dish after him.

This omelette is user friendly. The only attribute the cook needs is greedy impatience. Cook the eggs over a flame only until partly set. Scatter "the filling" over the eggs and flash the pan quickly under the grill – for just long enough to glaze the top while keeping the centre creamily soft.

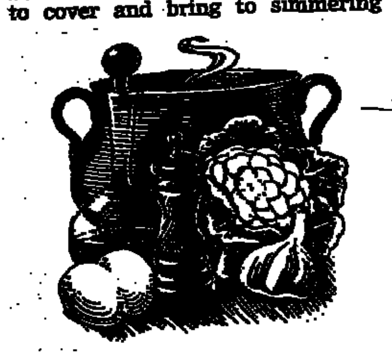
As for serving, treat it like a cake. Cut the omelette into V-shaped wedges in the pan and lift them out onto individual plates using a fish slice or some other flat instrument. I use a wooden spatula-like object which came with a long forgotten press release. It might have been tailor made for the purpose.

OMELETTE ARNOLD BENNETT

This is a surprisingly rich dish. The six egg version given here is enough for three or four people as a satisfying lunch or Sunday supper with good bread and a generous salad on the side.

6 large eggs; a fillet of smoked haddock weighing 8-10 oz; 1½ oz of Parmesan or Cheddar cheese; about 3 fl oz cream; a little parsley and butter.

Lay the fish skin-side up in a pan. Pour on a kettleful of boiling water to cover and bring to simmering



point. Cover and set aside for 10 minutes, then drain the fish, skin, bone and flake it.

While the fish is cooking, heat the grill, warm the plates, grate the cheese, chop the parsley, beat the eggs and season them with a little salt and plenty of pepper.

When the fish is ready, heat a 12 inch omelette pan. Add a knob of butter and when the sizzle of butter-foam dies down, add the beaten eggs.

Cook, tilting the pan away from you and scraping the cooked egg towards you, until no more than half the mixture is softly set.

Draw the pan away from the heat. Quickly scatter the flaked fish over the eggs, add the cheese and drizzle the cream over the whole lot.

Slip the pan under under a hot grill very briefly. The aim is to glaze the surface while retaining a runny centre to the omelette. Cut it into sections in the pan and serve without delay.

Motoring

Smoothy joins luxury class

Stuart Marshall enjoys putting the Mitsubishi Sigma and the latest Volvo saloon through their paces in the ice and snow

Hi-tech luxury: Mitsubishi Sigma has electronic traction and computerised engine management

YET ANOTHER luxuriously furnished, high performance 3-litre saloon will arrive on the British market later this month to challenge established favourites.

The front-wheel driven Mitsubishi Sigma is a high-tech counterpart of cars like the Alfa Romeo 164, Citroën XM V6-24 valve, Nissan Maxima and Peugeot 605 24v.

Smaller engined but otherwise similar class and price rivals include the Honda Legend and Lancia Thema, Rover Sterling and Saab 9000.

Does a big executive car benefit from having front-wheel drive? Mercedes-Benz and BMW, Ford (the Granada), Jaguar, Vauxhall (the Senator) and Volvo think not and stay with the classic front engine, rear drive layout.

Having recently tried one of each, I take no sides. What really matters – as many will have found out the hard way in the past week – is how well the 200 horsepower or so is applied to what may be an extremely slippery road.

As one would expect of a Japanese luxury car, the Sigma from Mitsubishi has advanced design and lots of electronics.

Its 2,972 cc, 202 horsepower V6 has 24 valves and an elaborate computerised management system. Among other things, this alters the length of the induction ports according to engine speed to maximise its pulling power.

The engine is so refined it is impossible to tell by the sound it makes whether it is an in-line six, a V6 or V8 or even a V12. Nothing, one feels, could be smoother.

The only transmission is a 4-speed automatic with power and economy modes. A button on the selector lever slips it in and out of top if you think you can do better than the computer. For brisk driving on winding, hilly roads, I found economy range with top gear locked out manually was as good as the power setting.

Sigma looks rather like a scaled-up version of the Mitsubishi Galant 4WD/4WS. It has a similar kind of rear-wheel steering but lacks the Galant's all-wheel drive. Instead, it is fitted (shades of Batman) with what Mitsubishi calls a Dynamic Two Total Wheels

The traction control system continuously varies power – or applies the brake – to each drive wheel according to tyre grip. So, whether you are hill-starting in snow or driving hard in difficult conditions, traction is maximised and the risk of loss of control through wheelspin minimised.

As a result, few luxury saloons have better handling balance than the Sigma. Passive rear wheel steering makes a contribution, too. It comes into effect at over 31 mph (50 kmh), when it lets the rear wheels turn very slightly in the same direction as the front ones.

Another electronic system senses how the car is being

delivery from the engine to tyre grip and so prevents wheelspin. Think of it as a mirror image of ABS braking, which prevents loss of adhesion through wheel lock. The Sigma, of course, has this, too.

I drove it, not on snow but on wet and and mud-spattered minor roads in the West Country. If you want to upset a muscular front-drive car, try accelerating hard from a standstill while going round a sharp and slippery bend. Many will spin a wheel and dart about alarmingly. When I tried it in the Sigma, it moved off as calmly as if it had four-wheel, not front-wheel, drive.

The Sigma just seems to be beautifully mannered whatever one asks of it. On motorways, it keeps a noticeably straight line and no car changes lane more tidily. The interior looks typically European; just about everything one could possibly ask for – including air conditioning – is standard; and the price is £25,859 with leather trim, £24,789 in cloth.

■ ■ ■

Styling has never really been Volvo's forte. The 200 series cars looked to me like streamlined bulldozers. Their successors, the 700s, were so hard-edged they seemed to be have been designed by a team which had cut its professional teeth on containers, not cars.

When the 900 series appeared last year it was clear it had been evolved from the 700s even if some of the corners had been replaced by curves. At least, they have on the outside; the interior is as neo-cubist as ever. But Volvo owners have never been seduced by good looks; they know their favourite car's virtues are more than skin deep.

Without going overboard for its styling, I rate the latest 960-24v saloon I used in the worst of last week's weather the best of the marque I have driven and worthy of comparison with cars like Mercedes-Benz or BMW

trim, air conditioning, heated and power adjusted front seats and exterior mirrors and a power-operated sunroof.

Although Volvo was one of the first manufacturers to offer a traction control system, the 900 does not have one. There is a winter setting on the automatic transmission which also partly locks the differential. On level roads deep in snow it allowed the Pirelli 4000 tyres to provide ample traction.

But wheelspin made it come to a halt on several fairly steep unsalted hills though it would probably have managed them on the studded winter tyres that Swedes use as a matter or course. On cleared roads, the Pirellis were quiet and shock absorbent.

It was my first drive in a big Volvo with independent rear suspension, not the very old-fashioned and sometimes rather lumpy beam axle still used on some of the lesser models. The ride is as good as one expects it to be in an up-market executive car. On rough roads there is hardly any tyre thump.

The steering wheel is small and the power assistance nicely weighted. You can tell what kind of surface the tyres are rolling over, which makes for peace of mind in arctic weather. The turning circle is tight and for a big car, the Volvo is handy to drive in town and easy to park. It has a catalyser and will do 22-25 mpg (12.8-11.3 l/100 km) on unleaded.

The 960-24v is quiet and has more than enough speed and acceleration to please the kind of motorist who is drawn to a Volvo. A middle-aged mana-

TRAVEL

Nights of tequila and honky-tonk

Cowboys may have lost out to commercialism, but **Nicholas Woodsworth** *finally found some good ole boys in Texas*

"JOHN WAYNE? J.R. Ewing? They make me cringe."

Frances Schultschik and I are sitting in the Marguerita restaurant in downtown San Antonio, dipping taco chips into guacamole sauce, and talking about Texas.

"It's common belief we do nothing but stand around in big hats saying 'y'all'," she laments. "The world persists in thinking Texas begins and ends with tough cowboys and rich oilmen. These stereotypes make me mad. They're not what we're really all about, but you try telling people that."

As a public relations official for the city of San Antonio, Frances spends her life trying to tell people what Texas is all about. She has just returned from Britain where she attended an international travel fair as part of a 15-member Lone Star state delegation. I suggest that an entire posse of Texans parading around London wearing stetsons and cowboy boots might tend to reinforce the John Wayne image, but she is adamant.

"That's just to get their interest. What we really want to offer is quite different. We have beaches, golf courses, theme parks, space centres, operas, great shopping, football games – and all sorts of different cultures. We're Germans and Lebanese and New Yorkers and Hispanics and Jews, just for starters. These days a lot of shrimpers on the Texas gulf coast are Vietnamese. Let me know if you see *them* wearing stetsons and saying 'y'all!'"

The trouble is, I have not come to Texas to seek out Vietnamese shrimpers. I am looking for John Wayne.

* * *

Like many of my generation, I have grown up on Rin Tin Tin and Gary Cooper. If I come to Texas, it is in the expectation of finding some of that lost, enchanted world of wide open spaces and elemental rights and wrongs. I will not be denied my *High Noon*. If there is anything left of the romantic spirit of an older, simpler way of life, it must be here.

For Texas, after all, is not just any old state. This is the home of the Alamo, the rugged individual, manifest destiny – and James Baker. This is the place where the skies are not cloudy all day, where a man can drink beer from the bottle and still stand tall before his wife. This is slap-on-the-back, pick-up-drivin', barbeque-rib-gnawin', larger-than-life, y'all-come-back-now Texas. At least, I hope it is.

Time passes, and I begin to fear Frances may be right: Texas is full of all sorts of things, but not what I'm looking for. I don't *want* to go shopping or play golf. Good ole boys don't shop or play golf, they let their wives and Californians do that kind of thing. I get hints of the Texas of my imagination, but these days, it seems, it is packaged into little sausages of commercialisation.

In San Antonio I visit the Alamo, that bloodstained shrine beloved of every Texas patriot. So taken are my fellow tourists with the idea that everything in Texas is big, however, that many are disappointed with the size of the Alamo mission building; afterwards, some go to see it again, this time bigger than life at the next-door Imax Theatre, where a docu-drama, *The Alamo . . . The Price of Freedom*, is playing on a screen six stories high and 85ft wide.

San Antonio may still be every cowboy's favourite town – it is a relaxed, attractive place – but it is fast becoming the favourite town of a good number of investors, too. In my search for old San Antonio (it is best preserved, in my opinion, at the 76-ft-long stand-up bar of the toe-tapping, mariachi-playing Esquire Bar), I get lost numerous times; lost among the 135 shops of the new \$200m Rivercenter complex, and lost again at the new \$170m Sea World of Texas, the biggest aquatic amusement park on earth. If the new \$160m Alamodome sports complex, now under construction, were completed, I would have got lost there, too.

None of this is getting me any closer to the Texas I am looking for, and frontier names – Abilene, Laredo, Sonora, El Paso – keep calling. I push further afield.

In Waco, once known as "six-shooter junction", I visit the Texas Ranger Museum. With a band of goggle-eyed out-of-staters (Texans take this kind of thing for granted) I look at more massed firepower than I have seen in my life. There are thousands of famous guns here. We gaze at the killer Colt 32 belonging to Clyde Barrow of Bonnie and Clyde fame; at the Winchester 73 carbine taken from the dead Billy the Kid by sheriff and arch-rival Pat Garret; at the buffalo-snuffing rifle belonging to Bill Cody. For light relief, we look at a framed collection of 36 types of Texan barbed wire, donated by E.C. Prickette.

But I am looking for more than glass-cased exhibits. I want the real thing. On the road to Hondo, I meet John Stuart, ranch manager. He swears that ranching remains the state's "laff-blud" (that's life-blood for non-Texans) and offers to show

The Alamo: a surprisingly small building with a big place in Texan history

me round the model, 2,000 acre U-Bar Ranch. Is this, at last, the real Texas?

Not quite. The grazing land is as meticulously kept as the 18th green at Gleneagles, in Scotland. The cows are so tame that rounding-up the cattle consists of putting a hay bale on the back of a pick-up and leading the things in with a promise of lunch. Stuart wears a stetson, but mostly to keep the sun out of his eyes when he works at his computer screen. He informs me that many steers these days are bought and sold by satellite transmission of video-taped "cattle catalogues." The idea of cows modelling in front of a camcorder depresses me. I move on.

Outside the town of Bracketville I stop at Alamo Village, the place where John Wayne filmed the original *Alamo*. In wan winter sunlight I trudge down Main Street, past blacksmith's, cantina, trading post and jail. I am now seriously depressed. Not only is the entire town a purpose-built movie set, but for the edification of tourists the fake items have been labelled for easy identification. "Styrofoam Beam" says one tag. "Fibreglass Cannon" says another. My faith in John Wayne himself is by now thoroughly shaken. Might he, too, have worn a tag?

* * *

Suddenly, on the far side of the muddy Pecos river, everything changes.

Rainfall diminishes, the land becomes harsher and farms give way to vast sprawling ranches with terrain so rough that a horse is still more useful than a wheeled machine. People are different, too. Cities disappear and are replaced by lonely, windblown little collections of buildings, hardly worth the name of towns, where people gather on Saturday nights for company. Gone are the days when saloon-keeper Judge Roy Bean ruled the trans-Pecos with a Colt 45, but life here remains rawer, rougher and more elemental than anywhere else in the state.

On US Highway 90 there is little at night but bright stars and Tex-Mex border music on the radio. The road winds through broken country, a faint landscape of buttes, mesas and arroyos, before straightening out for its long run across the empty Chihuahuan desert to the city of El Paso. About one hour across the Pecos and into nowhere, it rolls through the little west Texas town of Sanderson.

Not much goes on in Sanderson after 10pm on a Wednesday. The replacement crews for the mile-long trains of the Union Pacific Railroad have left the Kabooze Bar and are getting to bed at the Western Hills Motel. The blonde waitress at the Kountry Kitchen Restaurant ("You want more, you just holler") is putting the "closed" sign in the window. Tumbleweed is blowing down the street in a cold north wind. The only action is out on the edge of town at Julio's.

Outside there are three or four pick-up trucks; inside, half-a-dozen cowboys are drinking beer. The decor is kept to bare essentials: a few tables and chairs, a juke box, a pool table, a stand-up bar with bottles of tequila and bourbon on the shelf behind. Above the bottles state law is printed in red on a cardboard notice: "Felony – Ten years imprisonment and \$1,000 fine for carrying firearms where liquor is sold, served, or consumed."

But the room is warm, the music full of twangy comfort, and whatever colour is lacking in the room's furnishings is made up for by its occupants. If wide-brimmed stetsons, silver belt buckles and boots are what the urban cowboys of Houston wear for a Saturday night on the town, they are what Sanderson puts on every morning. The clothes in Julio's are as scuffed and workaday as the men inside them.

Billiard balls click across the green felt. Men move around the room; in one hand they hold bottles of Lone Star beer, in the other styrofoam "spit-cans" for tobacco juice. There is joking, haw-hawing, talk of women, car engines and frosts. On the juke-box, a song that local radio stations have been plugging for days:

"I ain't J.R., this ain't Sue Ellen, This ain't Dallas, this ain't Dynasty, This is a two-job workin' family."

The West is, after all, alive and well. For me, Sanderson is the beginning of the real Texas. Beyond, in the rough and ready towns of Big Bend country, lie nights of tequila and dancing in country honky-tonks, crisp sunny days on the Rio Grande, forays into the border towns of Mexico, horses, pick-up trucks, guitars, the whole shooting match.

How do I know Sanderson is the gateway to what I have been looking for? The answer is simple. Buying groceries in the town's five-and-dime, I meet a middle-aged Vietnamese woman. She is not a shrimper, but works in a motel. She does not wear a stetson. She cannot even speak English well. She does, however, have a phrase she uses to great effect. "Y'all come back now", she says on parting, giving me a smile as wide as the state of Texas.

■ *Nicholas Woodsworth travelled c/o British Airways (London tel: 081-897-4000) which flies from Gatwick to Dallas and Houston six times a week.*

Bonded booking is your best bet

SEVERAL members of the Association of Independent Tour Operators (AITO) have expressed concern that in an article on January 12 I seemed to give the impression that the only really safe way to book holidays was via large, mainstream travel companies, especially members of the Association of British Travel Agents (ABTA), writes Michael Thompson-Noel.

That was not the intention.

What I was trying to explain is that it is wisest to book via companies that are bonded – ie, have lodged bonds that guarantee the return of customers' money if the travel company itself goes bust. What needs to be said is that all AITO companies are bonded.

"There are many unbonded companies operating in the UK," says AITO spokeswoman Sue Ockwell. "There is currently no legislation, apart from that (dealing with) charter flights, to require them to protect their clientèle.

"But *all* AITO members are fully bonded – the consumer has cast-iron protection should any AITO member fail. All AITO members have sound financial pedigrees; many have been operating for 20 years or more. Size of company is immaterial as far as financial security is concerned. It's whether or not the company is bonded that matters."

She adds that AITO members strive to offer better service and more original holidays than their mass-market counterparts. "AITO members have gone to the trouble and expense of bonding but do not necessarily wish to sell (their products) via travel agents," she says.

■ *The association's* Directory of Real Holidays 1991, *a guide to holidays available from more than 80 of the UK's specialist tour operators and covering over 100 countries, is available on request from AITO, Dept FT, PO Box 180, Isleworth, Middlesex TW7 7EA.*

Snapshots of France

. . . nor the years condemn

***Michael Hanson** tours the First World War battlefields*

ALTHOUGH the dead of two world wars and of subsequent conflicts such as Korea and the Falklands are commemorated annually, the First World War still overshadows all wars before and since for the extent of its losses – more than 8m dead from all the combatant countries, 1.1m of them from the British Commonwealth.

For most people, the scale of the horror of the First World War is as incomprehensible as the number of stars in the Milky Way. The only time it begins to be understood is when they come across a cemetery maintained by the Commonwealth War Graves Commission. The neat rows of dumb white headstones are mute reminders that each was a person, usually – but by no means always – a man, and nearly all in their prime.

One cemetery with rows of headstones is sad enough, but it is only when visiting Flanders or the Somme that the enormity of the First World War becomes apparent. Here, dotted across rolling fields and plains, are dozens of cemeteries, each with hundreds of headstones and many with thousands of names of the missing – those whose remains could not be identified.

Today, more than 70 years later, farmers in France and Belgium still turn up the remains of 30 to 40 bodies a year and reap an iron harvest of unexploded bombs and shells.

Last October I visited the Somme, not on a Royal British Legion pilgrimage, as many people do, but to study the architecture. I was impressed by the variety and beauty of the cemeteries and memorials but humbled by the loss of life.

Imagine one's horror if a disaster at Wembley Stadium, London, killed all 77,000 spectators. Yet at Thiepval the memorial to the missing of the Somme is carved with the names of 73,412 dead whose graves are unknown, while as many again are identified and buried in 165 cemeteries of the Somme in the triangle between Arras, Amiens and Cambrai. Each of the missing also has a headstone somewhere on the Somme inscribed "A soldier of the Great War known unto God."

Visiting all these cemeteries is an awesome task. We managed to see 32 in just over two days, between arriving on the Sealink ferry at Boulogne at noon on Friday and catching the return ferry on Sunday afternoon. On Saturday, our 23-strong party rose at dawn to visit the British cemetery at Assevillers in the swirling morning mist and ended the day with the sun setting over the Australian cemetery at Villers-Bretonneux, where Sir Edwin Lutyens designed the dramatic memorial to 10,800 missing Australian troops.

We also visited two stark German cemeteries at Fricourt – where 17,000 soldiers are buried, 11,970 of them in a mass grave because their remains could not be identified – and at Neuville St Vaast, where nearly 37,000 are buried under rows of black metal crosses that run in all directions as far as the eye can see, with another 8,040 bodies in a mass grave.

Visiting the French national memorial and cemetery at Notre Dame de Lorette, with its 20,000 graves and the bones of another 20,000 unknown soldiers in an ossuary, served to remind us that while British losses in the Great War were more than 300 a day – one in 66 of the population – the French lost more than twice as many – one in 28.

There were many surprises, such as finding 838 graves of members of the Chinese Labour Corps at Noyelles-sur-Mer, and 188 German graves in the Terlincthun British cemetery near Boulogne. All these graves are scrupulously cared for by the Commonwealth War Graves Commission, as is the German war cemetery at Cannock Chase in Staffordshire.

Another surprise was finding the name of Rudyard Kipling's only son John on the memorial to the missing at Loos. It was Kipling who called war cemeteries "the silent cities."

At Louverval, we found a fresh wreath to Private Thomas Whitaker, 3rd Battalion Grenadier Guards, missing after the battle on November 27 1917. It bore a note: "From your only son Dennis whom you never saw but who holds you in proud memory," signed by Dennis Whitaker, his wife Florence, their daughters Louise and Kati and sons-in-law James and John.

Today the Commonwealth War Graves Commission employs more than 1,000 gardeners and craftsmen to maintain its 23,052 burial grounds in 141 countries. The cost (£21.7m in the year to last March 31) is shared by countries of the Commonwealth, including South Africa, according to their share of the 1,694,930 dead in two world wars who are commemorated. Britain's share, 77.81 per cent, is carried on the Ministry of Defence's budget.

In 1989 glasnost enabled the commission's staff to visit two cemeteries in the Soviet Union for the first time since the Second World War.

Against a background of war in the Gulf, it is chilling to realise that 63,987 Commonwealth troops died in Mesopotamia – now Iraq – during the First World War.

■ **Michael Hanson travelled to the Somme with Major and Mrs Holt's Battlefield Tours, tel: 0304-612248.**

Barren and beautiful Camargue

THEY MUST be taking the greenhouse effect very seriously in the Camargue. The highest point of this wild marshland around the Rhône delta in southern France is 4½ metres above sea level, the lowest 1½ metres below. Another centimetre or two of Mediterranean and the whole 800 square kilometres could be swallowed.

This is Provence, but not the sunbaked groves of tourist dreams. Even in early September the wind howls across the stark marshland, whipping up wavelets on the lagoons and the innumerable rivulets that criss-cross the barren saltflats. The eye casts about for a point of reference: a tree, a hummock of reeds, a tiny farmstead battened down against the all-pervasive wind; anything to break the *flatness*.

Yet this is a beautiful place. The sky goes on for ever, the only sound is of rustling reeds. The famous white horses of the Camargue stand knee-deep in the lagoons like silent ghosts. They are still tended by *gardians*, the Camargue cowboys, with their bandanas and wide-brimmed hats, although the horses today have a prosaic rôle, carrying bands of tourists.

The Camargue's other famous residents, the black bulls and the flamingoes, are more rarely seen. The bulls – small, agile creatures – star in the many *courses à la cocarde* bullfight rings around nearby Arles. Taurophiles need not fear: the *gardians* compete to snatch a red cockade from between the horns of the bull, which lives to fight again. The flamingoes are largely confined to the largest lagoon, the Etang de Vaccarés, now a nature reserve to which only those with naturalist credentials are admitted.

Around the Camargue are tiny lanes with scattered rice paddies, lonely farmsteads, the odd bird-watcher. We drove for hours along deserted roads until a burning flash of yellow drew the eye. Stretched before us was acre after acre of sunflowers, heads hanging heavy in the heat, each golden centre tracking the sun like radar.

The main road from Arles to Les-Saintes-Maries-de-la-Mer is the biggest tourist route. Les-Saintes-Maries is now a dreary seaside resort, known chiefly for its annual gipsy pilgrimage (May 24-25) when thousands of travellers gather to worship a statue of their patron saint, Sara, which is held in the fortress-like church. We walked the seafront amid a depressing welter of kiss-me-quick kiosks and stalls selling *frites* with everything.

Better by far is the walled town of Aigues-Mortes (literally "dead waters"), one of France's best-preserved fortified towns. Choked with tourists in high summer, on a crisp spring day when trippers are few it would be a romantic place.

Le Victoria Hotel, just inside the main gate away from the bustle of the main square, offers reasonable rooms starting at FFr 280 (£28.60) and an excellent FFr 95 set menu. We sat under the shade of a great tree and dined ferociously on cuttlefish, duck, and enough cheese to rebuild the ramparts.

Five young Englishmen appeared to have ordered the entire menu; they sat, increasingly replete and eventually aghast, as course after course was laid before them. And not a *frite* in sight.

Andrew Anderson

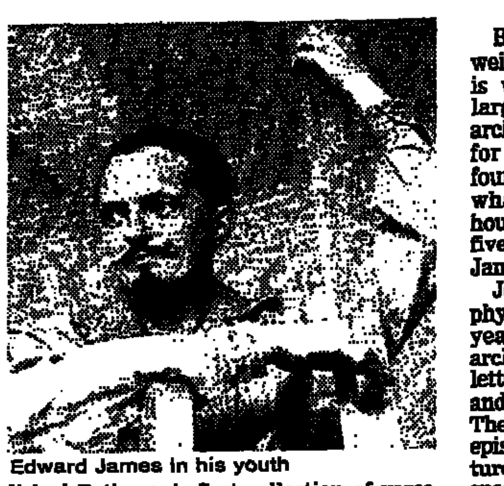
BOOKS

'Twixt lucidity and paranoia

SOMERSET Maugham used to say that money was like a sixth sense. Without it (he explained) you are restricted in your use of the other five. In the case of Edward James, who was a one-time friend of Maugham, inherited money and the prodigious affluence it gave, seem to have had not a liberating, but an imprisoning effect and to have been the deadly enemy of James's small but real talent.

His published work was largely subsidised by himself. After his death in 1984, a volume of his later poetry, *The Heart and the Word*, compiled by Noel Simon with an introduction by Peter Levi, appeared from Weidenfeld (1987). There were several earlier volumes of verse, a novel, *The Gardener Who Saw God* (1937), a play, collections of travel-writing on Southern Italy. Many of these appeared under pseudonyms, part of his fugitive nature: Edward Selsey, Edward Silence, Edward Vayarta. We are told that in his youth James "wrote his verses out with care/ On vellum with a coloured quill/ And published them in volumes rare/ Of hand-made paper bound up fine . . ./And then, by Jove, he published mine!"

John Betjeman (writer of the above) met Edward James at Oxford in the late 1920s where James was one of the richest undergraduates, occupying rooms in Christ Church decorated in the latest avant garde manner. The meeting led to a friendship the result of which was that James put money into *Cherwell*, and The James Press, as his own imprint was called, published Betjeman's first collection of verse, *Mount Zion*, in 1931.


Edward James in his youth

Later, after the young Betjeman had had an approach to publish his work from John Murray, he retrieved the copyright from his erstwhile Oxford friend and, like so many of James's protégés drifted away from him. However, Betjeman had a warm enough memory of their association to include the tribute "The sun that shone on Edward James/ Shone also down on me" at the end of *Summoned By Bells*.

But if James's published work is lightweight and evasive, the unpublished prose is voluminous and revealing. It consists largely of letters, stored in the James archive at West Dean College, the centre for the study of crafts which James founded after the Second World War in what had been his family's principal house, West Dean Park, in its 12,000 acres, five miles from Chichester, purchased by James's father in 1891.

John Lowe, the author of this biography, was Principal of West Dean for six years, and has had a free run of the archive. He explains that some of James's letters run to 50-pages and were never sent and probably never intended to be sent. They were instalments in a long-running epistolary autobiography, a curious mixture of fantasy and fact, brilliance, introspection, scurrilousness and malice. Lowe finds difficulty in quoting from this material, but such snippets as we get suggests a mind poised permanently on the razor's edge between lucidity and paranoia.

James's early years are rooted in the opulent era of Edwardian England. The king was his godfather (some said father). One feels that Maugham – had he dared – could have done a wonderful job putting James into a novel. Instead it was left to a later fiction-writer, a specialist in the mixed-up seriously rich, Gavin Lambert, to have a go at such a bizarre character, in *Norman's Letter*. In 1977 George Melly recorded James's own memoirs which were published as *Swans Reflecting Elephants*, the title of a painting by Dali.

But that was no more reliable than his unsent letters. Now at last in Lowe we have a cool clear head to sort out the muddle and present such crucial facts as are still recoverable. Edward was the fifth (and only male) child of Willie and Evie

EDWARD JAMES: A SURREALIST LIFE
by John Lowe
Collins £18, 262 pages

James, and his problems would seem to have begun at birth with Mum. Evie came from an old impoverished Scottish family. She was a great society hostess, a great amateur actress, a great favourite of the royals, a great possessor of people. When Edward was born she had been having an affair with a Major "Dosie" Brinton whom she married in 1913 less than two years after the death of her husband Willie James from cancer. Edward was then four and a half.

Lowe thinks that in all likelihood Dosie was Edward's real father. He was certainly an attentive step-father though Edward maligned him later in life. As Willie's only son in the eyes of the law, Edward came in his twenties into his inheritance, which was vast. The source of Willie's fortune had been the great American Phelps Dodge corporation. Edward inherited not only his father's share, but one of his uncle's too.

He acquired as many houses as a winning monopoly player: Greywalls in Gullane, Scotland, and Monkton with a view of the Solent at Chilgrove, were the two other principal ones, but there were dozens more in England and abroad. Inevitably he became a prime target for arty spongers, but he had sufficient judgement and taste to become a truly discerning patron with an international outlook.

James supported the young Russian choreographer George Balanchine before Lincoln Kirstein took him over. At this early period Balanchine did some choreography for the Viennese-born dancer Tilly Losch by whom Edward was obsessed. Edward disastrously married, and then after a year or two most unamicably divorced Tilly. It was Mum all over again. He then turned his attention to the actress Ruth Ford, whom he failed to marry but who remained a friend.

In the 1930s James began to see that surrealism, with the high value it placed on private fantasy and personal aggression, was his real forte. He became the friend and patron of Salvador Dali, and of the much more grateful, well-organised Belgian painter René Magritte. Then in the 1940s James's thoughts turned to pacifism, Vedanta, California. He made a determined effort to jump onto the Aldous Huxley, Gerald Heard, Isherwood, Buddhist bandwagon; but they politely, firmly, put him down. From California and some homosexual encounters, he went to New Mexico and quarrelled with surviving members of the D.H.Lawrence circle like Mabel Dodge Luhan and Dorothy Brett. Mexico proper was the logical next step.

Here James made a great friend of the surrealist painter Leonora Carrington. By now he had added ecology, plant-collecting and architecture to his other enthusiasms. In the remote Mexican town of Xilitla he built his Xanadu on the mountainside, and found a wonderfully handsome Mexican called Plutarco to manage it during his frequent absences. The jacket of the book contains a photograph of James lying in the garden pretending to be dead with four tall candles pin-pointing his recumbent nude form, two huge leaves covering his private parts. But it is West Dean College and the Edward James Foundation that is, happily, his real monument. A strange and often tiresome man, but it cannot be said that he lived entirely in vain.

Anthony Curtis

A must for fugu-fanciers

"A CREAMY blur of succulent blue sound smells like week-old strawberries dropped onto a tin sieve as mother approaches in a halo of colour, clatter, and a perfume like thick golden butterscotch. Newborns ride on intermingling waves of sight, sound, touch, taste, and, especially, smell."

If you can handle writing like that – if you can relish and devour it like a plate of blue pomegranates brought to your chamber in the crimson coital glow of a pewterish-tasting evening in Montepulciano – then this life-enhancing book is most certainly for you.

If, on the other hand, clotted imagery, voluptuous scholarship and – I dunno – oysters, sex, pain, pink, Thai music, the fragrance of burnt kidney, the tang of sweet death on the lips of *fugu*-fanciers, *fugu* being the flesh of the (ferociously) poisonous puffer fish, tend to upset you, make you see green, vex you and unman you or curdle your womanhood, then *A Natural History of the Senses* may not be for you – so why not read a diet book or spend the day in Harrods?

Me, I can take it.

At the start of her book the crescent-eyebrowed, lustrous-haired, bee-stung Ms Ackerman – a *New Yorker* staffer, wouldn't you just know – explains that what she wishes to explore in this book is the origin and evolution of the human senses, how they vary from culture to culture, their range and reputation, folklore and science, and the sensory idioms we use to speak of the world – plus some special topics that she hopes will exhilarate other sensualists as they do her and cause less extravagant minds to pause and marvel. "Inevitably," she says, "a book such as this becomes an act of celebration."

A NATURAL HISTORY OF THE SENSES
by Diane Ackerman
Chapmans £15, 331 pages

The sentence about the creamy blur of succulent blue sound smelling of week-old strawberries occurs at the end of the book where Ms Ackerman – a sensualist to the tiniest atom of her banana-scented being – is wading thigh-deep in pools of *synesthesia*, where the senses combine and are woven together.

Only about two in a million people experience intense synesthesia regularly, and are regarded by neurologist Richard Cytowič as living cognitive fossils. They may be people, he reckons, whose limbic system, the most primitive part of the brain, is not entirely governed by the much more sophisticated cortex. For Cytowič, "synesthesia...may be a memory of how early mammals saw, heard, smelled, tasted and touched."

Many famous synesthetes have been artists. To Rimski-Korsakov, C major was white; to Scriabin it was red. For Dr Johnson, scarlet represented the clangour of a trumpet. Rimbaud described the *a* vowel sound as a black hairy corset of loud flies while for Nabokov it evoked polished ebony. "It's odd," says Ms Ackerman, "to think of Nabokov, Faulkner, Virginia Woolf, Huysmans, Baudelaire, Joyce, Dylan Thomas and other notorious synesthetes as being more primitive than most people, but that may indeed be true."

Yet long before we reach the fantasia of the book's ending, the author has distracted and delighted us with glittery essays on the five straight-forward senses – the whole work beautifully controlled and shot through, like veined silk, with elegance, wit, learning and life-force.

The book is a triumph and Ms Ackerman a marvel – a butterscotchy woman, or so I imagine: as sexy as a bath-tub filled with truffle sounds and the tingling scent of emeralds.

Michael Thompson-Noel

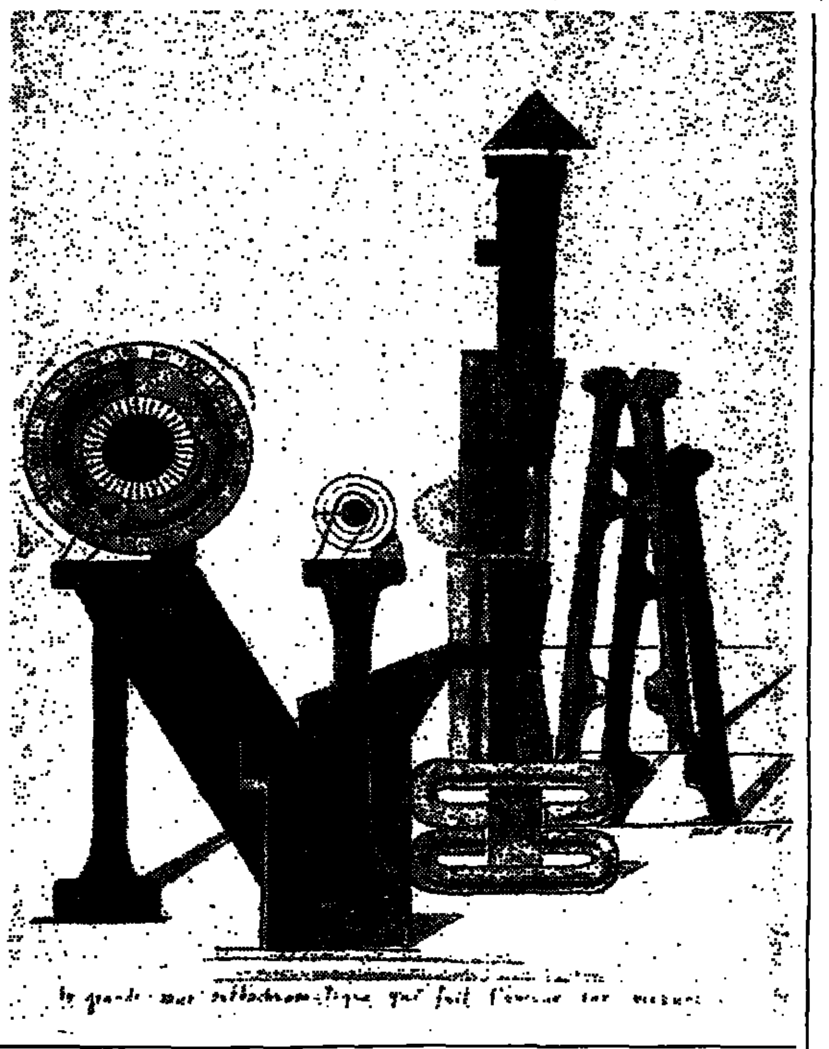
This year is the centenary of the birth of Max Ernst and is celebrated by the Tate Gallery with a major retrospective of *the work of the* great Surrealist, which opened this week and will travel to Germany and France in the course of the year. (William Packer will review the exhibition in the FT Arts page on Tuesday.)

It coincides with publication of a definitive study of *Ernst's collages* in which Werner Spies (who also selected the works on show at the Tate) introduces and analyses more than 800 illustrations.

Shown here is "La grande roue orthochromatique qui fait l'amour sur mesure", 1919.

★

("Max Ernst Collages" by Werner Spies. Thames & Hudson £55, 540 pages).



An irreverent wag revisited

COMPARED WITH other eccentrics who made up the second eleven of Victorian writers, Samuel Butler was relatively sane. He merely hated his father and wished him dead, visited the same prostitute twice a week for ten years before revealing to her his name, and remained devoted, almost to financial ruin, to a handsome wastrel named Pauli.

The standard work on Butler until now has been Philip Henderson's biography, published in 1953. Butler was a meticulous self-chronicler and kept a copy of every letter he wrote. Biographers are fortunate to be able to draw upon 16 volumes of correspondence and six large notebooks, annotated and indexed, the autobiographical chapters of *The Way of All Flesh*, and a two-volume memoir written by Butler's close companion in later years, Henry Festing Jones.

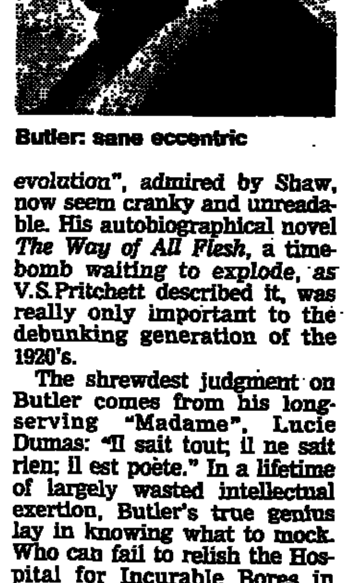
SAMUEL BUTLER: A BIOGRAPHY
by Peter Raby
Hogarth Press £25, 334 pages

Philip Raby's latest study is distinguished more by its tone than for the novelty of its researches. The correspondence between Butler and his father, Raby says, is still "painful to read": "it reveals an anguish in Butler's mind that he was unable to articulate, let alone communicate; he clearly longed for an understanding and affectionate relationship while every exchange emphasised the impossibility of achieving it." "He never liked me, nor I him," Butler wrote, showing little sign of longing for either an understanding or an affectionate relationship.

An irreverent wag like Butler needs a firmer hand than Raby's. Henderson, more robust, is also shrewder about the differences of intellect and temperament that made Butler the likeable original he was. Betrayed into belief as a child, he resolved never to be intellectually or emotionally "humbugged" again. According to J.B.Yeats, who knew Butler at art school, he "liked women but disapproved of marriage." He kept up a lifelong friendship with Eliza Anne Savage, his literary editor, which was strictly intellectual. This was not for want of trying on her part, however, as her correspondence reveals and as Butler realised later with some remorse. The one woman he did love, an innkeeper's daughter on Lake Maggiore, he fled from, preferring instead the advice of an old sailor he met once on a train to Bangor: "It's cheaper to buy the milk than to keep a cow." His passionate friendships were with men, although these seem never to have been sexual. In later life he shared Lucie Dumas, his prostitute, with Festing Jones, Jones visiting on Tuesdays and Butler on Wednesdays.

Artist and musician (he composed a Handel parody and exhibited regularly at the Royal Academy), classical scholar and travel writer (he wrote one of the first walking guides to the Italian Alps, translated the *Iliad* and *Odyssey* and was determined to prove that Homer was a woman), sheep-farmer and explorer (he spent several years during his early 20's charting new territory in New Zealand), Butler has one of the more unclassifiable minds of the 19th-century because he never knew what to turn it to.

This new biography aims to restore Butler to "a central place in our literary tradition". This seems too large a claim. Butler's theories of "creative evolution", admired by Shaw, now seem cranky and unreadable. His autobiographical novel *The Way of All Flesh*, a time-bomb waiting to explode, as V.S.Pritchett described it, was really only important to the debunking generation of the 1920's.


Butler: sane eccentric

The shrewdest judgment on Butler comes from his long-serving "Madame", Lucie Dumas: "Il sait tout; il ne sait rien; il est poète." In a lifetime of largely wasted intellectual exertion, Butler's true genius lay in knowing what to mock. Who can fail to relish the Hospital for Incurable Bores in *Erewhon* or asides such as "An honest God's the noblest work of man"? Butler rounded his own life with *Erewhon* and, just before he died, *Erewhon Revisited*.

For Butler, as for many of his classically educated generation, the Greek ideal exerted a powerful charm. In the midst of all the side-swipes at Victorian pieties, the novels' true heroes are the handsome, aristocratic Ygrundites, the Erewhonian "swells". Like Ferdinand in *The Tempest*, like Pauli in Butler's own life, they are the key to Butler's ideal of the graceful. A "central place in our literature"? Our fairy-tale literature perhaps.

Mark Archer

Short stories

Obsessed with fantasies

THESE COLLECTIONS of short stories from Czechoslovakia, America and Britain share an obsession with fantasy, with nightmares and dreams, rising to the surface of our everyday lives. Milan Kundera's *Laughable Loves* was first published in Prague before 1968 and subsequently banned. The stories reflect the unreality, the uneasiness of a country in limbo, the feeling that one is trapped no matter what one does. The hero of each tale is a faceless man unable to believe in love or God or work, and so removed from his feelings that he watches himself from a distance, as if he were a voyeur, not an actor, in scenes of his own making.

Kundera prefaces one of his tales with a proverb from Pascal: "They do not know that they seek only the chase and not the quarry." Attracted to women whose beauty derives from their purity, they become disillusioned, even repelled, when these "innocents" allow themselves to be seduced. In "The Golden Apple of Eternal Desire," a man makes a serious game of chasing women, even though he adores his wife. The hero of "Edward and God" tries to persuade his religious girlfriend that making love with him would be just what God intended; when she gives in, he calls her a hypocrite.

These are witty, intelligently-narrated stories, but there is something monotonous and self-indulgent about the collection, as if Kundera could not look beyond his own obsessions; he tells us the same story over and over again about the perversity of desire, seven versions of *The Unbearable Lightness of Being*.

LAUGHABLE LOVES
by Milan Kundera
Faber & Faber £4.99, 242 pages

MIRACLES IN AMERICA
by Sheila Kohler
Cape £13.99, 175 pages

AS IN MUSIC
by Kathy Page
Methuen £13.99, 205 pages

Sheila Kohler has prefaced *Miracles in America*, her first collection of short stories, with Blake's "The Sick Rose"; images of entrapment and repressed desire, of disease and death, dominate this grim book. The writing is lucid, careful, with the exquisite quality of etching on glass; yet these strange tales appear opaque, their anonymous narrators remote, the tone distant, as if the author could not bear to get close to such illness. "In a Quiet Place" is about a mother who dreams of the death of her troublesome child. "In Amber" is a parody of Browning's "My Last Duchess," in which the murderer shows off the corpse of his beautiful wife, and offers the visitor a slice of her plum cake. In "My Boy's Girl" a mother's possessiveness destroys her son's marriage.

Many of the stories are about Americans abroad, the foreign settings echoing their discomfort and alienation; and the terror which lurks in the familiar: their marriages, their children, their bodies. Though beautifully written, the stories are a bit unrelenting in tone. They are brilliant variations on a common theme.

In narratives as twisted as the lives of her characters, Kathy Page confounds our expectations; yet the anxieties, the anger, the desires are familiar. These could be ghost stories; such is their power to make us shudder. In *As in Music* she eschews the well-made story with the tidy ending, uses fantasy, allegory and science fiction to lift the stories out of the confines of realism. "Lambing" is about a woman who sacrifices her children and eats them, rather than yield her family to a land-hungry farmer. The hero of "The Biggest Memory in the World," so afraid of forgetting any detail of his life that he has a computer disk implanted in his brain, realises that his precious memories are based on fantasy. In "I Like to Look" a woman who has had all the burden of caring for her sick mother and mentally handicapped brother, turns her irresponsible sister to stone.

Page takes wish to its logical conclusion. What if women could revenge themselves on men who abuse them? What if we could never forget anything? What if we could know our future? What we long for may destroy us. The best of these stories have a clear, cold precision, language which contrasts nicely with the passion and horror Page reveals.

Wendy Brandmark

Music makes the book go round

PAUL GRIFFITHS has been a prolific writer of books on music (he is music critic of *The Times*) and now bids fair to become a prolific novelist; though his latest venture is as an opera librettist, for none other than Mozart (*The Jewel Box*, recently launched in Leeds, provides a dramatic frame for the composer's unattached arias and ensembles). A more than musicological ambition was evident in his book *The String Quartet* (1983), to which, with a nod perhaps towards Lévi-Strauss's *Cru et le cuit*, he gave an overtly musical structure, that indeed of a string quartet.

His remarkable first novel, *Myself and Marco Polo* (reissued as a Picador paperback, £4.99) was inspired by the methods of I Ching consultation used by the composer John Cage (on whom Griffiths once wrote a short monograph); and this his second has, as its title declares and the regular but abrupt appearances in its narrative of Richard Wagner and his circle exemplify, a musical subject matter.

The form and style remain very close to those of *Marco Polo*: playful, anachronistic, fantastical narration comprised in a sequence of short to medium-length sections, each with a lower-case title (the books share a distinctive typography). These are not novels in the conventional manner; they convey little sense of "everyday life" and in tone are dispassionate to the point of iciness. They cleave to an experimentalist tradition of fiction-making: the work of Gabriel Josipovici comes to mind, and Calvino is an obvious influence. They are exercises in pure form-building and imagination, and it would be for their skilful artifice and often bejewelled descriptions, not for their hard testimony to experience, that one might value them.

THE LAY OF SIR TRISTRAM
by Paul Griffiths
Chatto & Windus £13.99, 133 pages

The Lay of Sir Tristram is a novel in a subjunctive mood. It examines and enacts the multiple versions of the Tristan and Isolde legend, with constant time-travelling between the Middle Ages and Wagner, sometimes in the space of a single teasing sentence (literary equivalent of a cinematic "dissolve"). But nothing actually "happens"; the book merely allows that *were* something to happen, it would have to happen so, or so. All the interpretive possibilities of the myth are thus played out; and the novel brims with cheerful anti-novelistic disclosures such as "Tristram must be made to follow soon in the same direction, but how?" and "The wound (though of course it would be cruel to inform him of this) is a narrative device".

Interpolated into the main myth-filtering text are passages in italics which seem to tell a more personal love story of the present, though their abstract phraseology leaves one unsure who is speaking and about exactly what. Nor is the identity of speakers in the main narrative ever established clearly, and a reader who dislikes being endlessly tantalised is unlikely to take much pleasure from this ingenious, post-modernist but sometimes too self-consciously clever book.

He or she will certainly take some, though. There's an entertaining section in which the minstrels of King Mark's court are compelled, on peril of the king's losing Isolde to the Irish knight Gandin, to parse a mysterious musical fragment which the latter plays: it is, of course, the opening bar of Wagner's *Tristan* prelude, and into the minstrels' mouths is put pompous analytical jargon culled from such learned publications as *Perspectives of New Music*. The last two pages of the novel have a curious beauty. The final section, analogous to the penultimate one of *Myself and Marco Polo*, quickly recapitulates the book's main themes and offers a key to its structure, which turns out to be Joyceanly circular.

Paul Driver

Changing ethics on ethnics

RACE RELATIONS in Britain continue to surprise. Who would have thought that at the end of the 1980s one of the main controversies should have been the demands of part of the Moslem community to ban a book on grounds of blasphemy? Or that in 1991, the Conservative Party would adopt a black candidate in the safe Parliamentary seat of Cheltenham?

Dilip Hiro wrote his first version of this book 20 years ago. Since then the numbers have changed considerably. In 1970 the proportion of ethnic minorities in the national population was around two per cent. It is now 4.8 per cent. Much more striking has been the change within the composition of the ethnic communities. In the early 1970s they were more or less equally divided between West Indians and Asians. Now the Asians outnumber the West Indians by about 2¼ to 1.

A lot of the forecast calamities have failed to happen. True, there have been race riots in the inner cities, but so there were in Liverpool as early as 1919. They have not become a recurrent phenomenon, as was sometimes feared in the late 1950s and early 1980s. No-one would pretend, least of all Dilip Hiro, that progress has been uniformly good: there has been too much prejudice and discrimination for that. Yet not even Hiro would claim that the situation today is as bad as it might have been.

Indeed, Hiro has a thesis that Britain is advancing towards acceptance of a kind of social pluralism. The image of a Briton as white, Christian(-ish), clean-shaven and conventionally dressed is giving way to a much wider variety of colour, religion and costume. This collection of people from different racial stocks in one country "mixes, but does not combine". Inter-marriage between races, which once led to talk of a "coffee-coloured society", has actually gone down.

BLACK BRITISH, WHITE BRITISH
by Dilip Hiro
Grafton Books £20, 355 pages

There are several reasons for that. One is that in the early stages of postwar immigration the men came first. According to the 1961 census, the male-female ratio among Pakistanis in Bradford was 40:1: even among West Indians it was 3:1. When the women began to arrive, the men preferred their own stock. It was the same with the West Indians. In the beginning the men courted white women: nearly 20 per cent of the males went in for either inter-racial marriage or cohabitation, the white partner almost invariably being the female. More recently inter-racial marriage has dropped below 10 per cent.

This is not the solution wished for by liberals who wanted more integration, perhaps even a raceless society. But it is quite different from the conflict forecast by (say) Enoch Powell. Mr Powell is a key figure in this book because it was he who, in a famous speech in 1968, helped to crystallise the issues. According to Hiro, he actually did British society a service by "removing the mask of hypocrisy and revealing feelings as they actually existed". The ethnic communities learned to stand up more for themselves and there was also a gradual move towards legislation against racial discrimination.

In the general elections of 1964 and 1966 there were no ethnic candidates. In 1987 there were 29, spread across the political parties: four were elected to Parliament. That is slow progress, to be sure, but it is hard to see it being reversed.

What hardly anyone foresaw was the rise of a militant Moslem community. Clearly it is impossible for liberals of any kind to accept that anyone should be sentenced to death for writing a book. The Salman Rushdie affair has raised problems, but if we go on the evidence of the past 20 years or so it is not axiomatic that they are insoluble. To be fair to Hiro, he is less optimistic than I am, but he is now less of a pessimist than in the first version of his book.

Malcolm Rutherford

ARTS

Refugees from Bucharest

Venice is playing host to part of Romania's art collection. ***Susan Moore*** *reports*

"ALMOST ANY book on Old Masters in Romania is welcome in the West, simply because our ignorance of what exists there is abysmal."

So wrote Benedict Nicolson in 1961 in a review of a catalogue of the national collection. Thirty years on the art-loving public is hardly any the wiser. The Romanian catalogues offered only poor quality reproductions and tantalisingly scant information. Since 1938 barely a handful of pictures have been shown in the West and, it seems reasonable to suppose, few have made the pilgrimage to Bucharest or Sibiu.

The world looked on in horror at the burning of the National Library in Bucharest, and heard of fighting and fire in the National Museum of Art in the former Royal Palace. What was damaged? What was there that could have been damaged?

Answers can now be found in Venice. The snow-capped Doge's Palace provides an unexpected but welcome venue for the unveiling of 60 of the Old Master paintings from the National Museum of Art in Bucharest (they remain on show until June 20). The devastated Museum is closed for at least the next two years; Venice City Council, along with the Rijksmuseum and the Getty, are among the institutions helping to restore its beleaguered pictures.

The Serenissima's four patients hang in a low-lit room in the centre of the exhibition. A gold ground panel of the Virgin and Child by Antonello da Saliba is fractured in two. Giulio Cesare Procaccini's Samson destroying the Temple is badly burnt, and Luca Giordano's Circumcision is riddled with what look like bullet holes. The most impressive of the four, Giordano's monumental and highly dramatic account of Hercules, Nessus and Deaneria is barely visible through the patchwork of bulging wounds temporarily bound with restorer's sticking plaster.

In the days following the Ceausescu's precipitous flight in December 1990, the Securitate infiltrated various public buildings, including the museum. According to its director, Theodor Enescu, missiles were fired into the galleries in order to dislodge the Securitate, with the 17th century Italian pictures bearing the brunt. As the Securitate fled, they set alight to a number of rooms, completely destroying the restoration laboratory. Twenty-two pictures were inside. Some 200 more were damaged in the conflict.

Romanian painting is not represented in the Venice show. What we find among the various European schools is very much a mixed bag which embraces the rare, the stupendous and the sublimely awful. Professor Enescu's introduction to the catalogue (Marsilio, L35.000) charts the history of Romanian collecting, which began in the early 19th century, up to the establishment of the National Museum in 1948. The nation's greatest treasures came in the collection bequeathed to the Crown in 1914 of Carol I, itself based on the distinguished collection of the German Consul Felix Bamberg which was sold in the 1870s.

In pride of place in this Venetian show is a Madonna and Child by Domenico Veneziano, an early panel among perhaps 10 surviving works by this 15th century master. The Virgin is seated on a tasselled throne against a dark hedge blooming with roses, one of which she is picking for her impatient child who is reaching towards it, an echo of the muscular sprinting putti of Donatello's famous marble singing gallery. Sadly, the panel has long suffered losses to both faces, but it is still an exceptional picture.

A gleaming, luminous Lorenzo Lotto of St Jerome in the Wilderness follows and The treat continues with perhaps the sweetest of all Madonnas by Boccaccio Boccaccino.

The collection as a whole cannot sustain this quality, although the Italian school does well enough. We pass good paintings by Bassano, Strozzi, Mola, Tintoretto and Magnasco to end on a spectacular note and a puff of wig powder with Jacopo Amigoni's theatrical and allegorical portrait of the celebrated 18th century castrato, Farinelli. The flower-swagged prodigy sits in splendid silks pursing his cupid's-bow lips as Euterpe crowns him, putti play at his feet, and Fame and her trumpet scale the airy clouds above.

On past a series of saints by Bartholomaus Zeitblom – the same hideous model used for all, regardless of gender – to a compelling, candlelit Holy Family by Jordaens, and a handful of appealing Dutch and Flemish flower-pieces. The French portraits are all mediocre, save Vigée-Lebrun's delightful neo-Classical portrait of a young woman with an adoring spaniel. Just as one begins to feels totally dispirited, the Spanish paintings triumph – Zurbarán's St Blaise, Alonso Cano's impressive Christ at the Column, and a sequence of El Grecos which includes the glorious and exultant Adoration of the Shepherds.

This altarpiece soars 3.64m high but is only 1.37m wide, an intense tour-de-force of heightened colour and gesture and emotion. It is as if a flare or flash of lightning has momentarily illuminated the inky darkness to offer a glimpse of the Virgin about to wind the swaddling cloth around the Christ Child. There is a sense of a half-remembered moment. Figures are distorted, dramatic chiaroscuro gives prominence to almost dislocated gestures, and the strange light tints the robes of the Virgin, angels and the shepherds to unnatural, brilliant hues.

The picture was painted for the Seminary of the Incarnation in Madrid. It may well be, as recently suggested, that the artist was attempting to realise in paint the mystical visions and metaphors present in the writings of its founder, the Blessed Alonso de Orozco. In this exhibition, it fills the space allocated in last year's Titian exhibition to the comparably spiritually powerful Saint Sebastian from Leningrad. The contrast could not be more fitting, for El Greco shows himself here as Titian's heir, and effectively the last great Venetian colourist of the Renaissance.

Jacopo Amigoni's portrait of the celebrated 18th century castrato, Farinelli

Saleroom

Nadir for Nadir

WITH SO many antique dealers currently staring financial ruin in the face it is satisfyingly symbolic that the first major auction in London this year should be precipitated by a corporate disaster on a monumental scale – the collapse of Mr Asil Nadir's Polly Peck empire.

The administrators who are attempting to rescue the company have asked Phillips to dispose of all the antique furniture and fittings in the head office at 42, Berkeley Square, in London, and hope to raise over £3m, a drop in the ocean of debt enveloping Polly Peck but at least a gesture. Selling this collection, most of which was originally made for country houses of the 18th century, in itself marks the end of Mr Nadir's dream of acceptance as an English gentleman.

He had hardly finished acquiring it before Nemesis struck. In 1985 he asked Mrs Gulderen Tekvar, an interior decorator married to a Polly Peck executive, to furnish his Georgian offices. By the time the Fraud Squad called last autumn you could hardly move for furniture. To the surprise of some commentators much of it is top quality, having been bought from Partridge, Malletts, Hotspur and other leading London dealers. Even so, if the modest estimates fixed by Phillips are reached next Tuesday, Polly Peck will still have made a substantial loss on purchases bought as the art market rode a boom: Mrs Tekvar reportedly invested £7m for the company.

There are few pictures in the collection but one of them, a harem scene by the 19th century French artist Gérôme, just the kind of orientalist picture chased up by oil money in the 1980s, carries the top estimate – up to £300,000. Christie's sold it for £440,000 to a dealer who presumably added a healthy premium before it came to hang in Mr Nadir's office where it fought for attention against two Turner watercolours, a vast partner's desk, a garish tapestry of frolicking peasants, a George III settee covered with cushions enveloped in 17th century tapestry panels, a William III marquetry cabinet which housed Mr Nadir's TV, CD and collection of model aeroplanes, and much more. One of the Turner's could prove a Polly Peck investment which produced a return – the dealer Leger bought the view of Bonneville castle in Savoy at Sotheby's for £110,000 in 1984 and it is now estimated at up to £250,000.

There is little consistency in the pictures, a surprising absence of silver, indifferent ceramics, and some good clocks, of which the oddest is a large black lacquered timepiece which would have hung inside a tavern in the late 18th century. It is the furniture which makes the sale. Early Georgian mirrors and chandeliers are still sought after and there are plenty on offer, and two huge partners desks could attract corporate bidding. The most interesting object is a late George II mahogany library breakfront bookcase, much illustrated in the textbooks and with similarities to a bookcase Robert Adam designed for Kedleston Hall. It should make £200,000.

Phillips reckons that its estimates are only 10 to 15 per cent lower than it would have fixed a year ago. Furniture has been one of the more resilient sectors of the depressed art market, and although American bidding might be thin, the entire trade is willing the auction to do well. Perhaps the dealers who sold the furniture to Polly Peck so persuasively will be keen to reacquire it?

The auguries are good. The New York furniture sales earlier this month were re-assuring, especially Christie's, which was 92 per cent sold. Low estimates and even lower reserves tempted buyers, although the price of realism was nicely illustrated by a George II bureau cabinet which sold for $66,000, exactly the price it fetched in the same rooms four years previously.

Christie's sale of English furniture in London last week was 10 per cent unsold, and Phillips on Tuesday topped £500,000 with 19 per cent unsold, mainly the carpets and works of art. It reflected the state of the market both in the sum realised – slightly less than estimate – and the fact that the greatest interest was shown in 19th century furniture.

Current taste is swinging away from the boringly predictable 18th century brown furniture and towards the more decorative, interesting, designs of a later age. The top price at Christie's was the £14,300 paid for a colourful William IV centre table, which doubled its estimate.

Down an Oxfordshire lane near Henley, the Country Seat has a barn full of 19th century furniture. Its current exhibition, "Signed and Designed", concentrates on items made for the increasingly prosperous middle and upper classes of the Victorian era. Research has ferreted out the names of designers and makers, and this long over-looked period is proving appealing to buyers wanting well made, eclectic, furniture at modest prices. Among the pieces on offer is a vast library table, supplied around 1870 to Stowe School by Collier and Plucknett of Warwick, and a Pugin designed writing table of about 1860.

Furniture remains a steady market because it escaped the speculators – it is bought for use. On the wider scene the auction houses are managing to restore confidence to the antiques trade. Little is coming their way but when they do hold a sale they ensure that vendors accept reserves and estimates up to 30 per cent lower than a year ago. As a result Christie's was able to announce this week that of the 15,000 lots it offered world wide in the past month, 83 per cent sold. These figures were dented slightly on Thursday when its 19th century sculpture auction was 50 per cent unsold. The market seems set for a period of convalescence, with the odd setback.

Antony Thorncroft

The art of song

PREDICTING tomorrow's antiques is idle speculation, but almost certainly in a generation's time there will be avid collectors of the record album. Not the disc but the decorative sleeve.

LPs are rapidly becoming obsolete as CDs and ever more sophisticated sound systems drive all before them. Already some album sleeves are rarities, as Kevin Edge discovered when curating *The art of selling song*, an exhibition devoted to the graphics of the music industry which opens at the Victoria & Albert Museum on Wednesday.

Edge is not mounting a history of the record sleeve. His aim is to show that printed music carried decoration from the 16th century and never looked back – through 18th century broad sheets, 19th and early 20th century sheet music, to the arrival of the LP in 1948.

As early as the 18th century tickets for concerts were collected for their decorative content – you saved the illustration to the *Messiah* and took to the hall the bottom strip to gain admission. By the 1840s the singer Jenny Lind was being promoted like a pop star, decorating the covers of the sheet music of her favourite arias from *The Daughter of the Regiment* and other operas.

By stressing the historical links between past and present Edge has crammed in too much. Sheet music covers, which gave work to artists as great as George Cruikshank, could comfortably fill the space alone. There are tantalising glimpses of poster art, not T-Lautrec but the more influential Jules Chéret, and a charming design by John Haskell, plus a good spread of psychedelic posters from the 1960s. The incidentals – the shop display cards for the Savoy operas; the Underground fly posters of the punk period; the ephemera of pop – also deserve their own show.

A study of the great album sleeve artists, not just Peter Blake (who designed the Sergeant Pepper sleeve) but Vaughan Oliver and Neville Brody, whose album covers are now collected, would be equally rewarding. In the meantime, to the background of recorded music, the V & A seems certain to have a popular hit on its hands, with just enough to keep the historians and the aesthetes happy.

Antony Thorncroft

Hunting for prizes

This is more than just another competition and has a flavour all of its own, says ***William Packer***

PRIZE EXHIBITIONS and awards are nothing new in the art world, but whether they touch the spot or not seems to be largely a matter of luck, for by no means all of them win the general attention they deserve. Perhaps there are simply too many of them and appetite grows jaded. But we take them for granted at our peril, for the active encouragement they bring to artists of all kinds. Unlike the cohorts of the Assyrian, they would be much missed were they to be smitten by the Lord, pack their bags and melt away into the night.

The Hunting Prize was always a generous one and worth the winning, with a purse now standing at £20,500, of which £10,000 goes to the winner overall. This year *The Observer* has come in as joint sponsor and, as ever, the exhibition selected from the open submission is being shown at the Mall Galleries (until February 23, then on to Brighouse in West Yorkshire, and to Paris). But the Hunting is more than just another competition, and indeed when so many of the others seem to address themselves solely to the interests of the young, it stands out for the support it offers in mid-career to the serious professional artist.

But the curious thing about it is that it has taken the decade or so of its existence to grow into its natural constituency. Limited at the outset to the members of the societies affiliated to the Federation of British Artists, the inference was that only figurative artists need apply, and that at a time when the received opinion was that figurative art was near-moribund. That limit was too narrow, but the pattern was set and it has taken some considerable time since the restriction was set aside to persuade the generality of artists that the money apart, the show itself is worthwhile. No open show can ever be better than its submission.

The positive aspect of its peculiar history, however, is that the Hunting as an open competition has acquired a flavour all its own, neither trendy in the sense of questing after youth – though it does offer two substantial prizes reserved to students – nor trendily desperate for the avant-garde. If figurative painting predominates, abstraction is not excluded, and no doubt that balance will adjust itself in due course. What the Hunting celebrates is the quality of painting, in drawing, technique and general professionalism, that is more commonly available in this country than we might suppose, though not so readily recognised by dealers, critics and curators.

The prize winners this year are unexceptionable and Barry Burman, at 47, an artist new to me with his simple, monumental heads like his winning "Manac.es", well worth the first £10,000. Justin Mortimer, too, who with £2,000 was runner-up in the student race, got the least he deserved for his self-portrait. It has become the sensible habit of the Hunting to offer its prize-winners the chance to amplify their submission in a separate display in the smaller of the galleries, but there are many others besides them to recommend. Here, in no particular order, are a few: a large portrait head by Leonard McComb; Ben Levene's flowers; Peter Brook's baffled sheep; A.R.Neal's bird tables; two figures by Shanti Panchal; Philip Stevens' abstracted November landscape.

At Gillian Jason (42 Inverness Street NW1) a remarkable and oddly moving show of some 40 self-portraits by William Roberts has been extended by a full week, closing now on February 23. It includes drawings, water-colours and oil paintings, mostly from the estate and never shown before. One or two, dating from before 1940, show the younger man, but Roberts, who died in 1980 at 85, seems never really to have seen himself as anything but an older man, and the span of those 40 years up to his death gives a remarkable consistency of image and its presentation. Only the hand begins to falter, the hardness of the mature work giving way at last to a sad softness and humane uncertainty.

The artist's son John has published five of his father's essays on a number of art matters, bound in with a melange of memoir and diary extracts (Valencia Press: £15 - available from the gallery), a fascinating addition to the archive of Modern British Art.

The winning picture: Barry Burman's 'Manac.es'

Records

Sparks fly in 'Samson'

THIS WEEKEND rehearsals for the Royal Opera's revival of *Samson et Dalila* are reaching their climax. Even before the present round of general media interest there had been a limit on the ticket applications, which gives an idea of the public enthusiasm anticipated for this return of Saint-Saëns's best-known opera.

The source of the excitement is not hard to find. This will be the first appearance that José Carreras has made in an opera in London since his recovery from leukaemia. The Spanish tenor has determined to ration his performances on stage and wisely to restrict even that lesser number to four chosen opera houses, Barcelona, Vienna, Milan and London.

To tie in with the occasion Philips has released a new recording of the opera. In some ways it is an impressive set, well played and recorded. The conductor is Colin Davis, who has himself previously been in charge of performances at Covent Garden in the same production with those marvellous Sidney Nolan designs. Perhaps their evocation of an exotic ancient world made an impression on him, for it is Davis's musical direction that is the finest aspect of this set – sultry, brooding, without ever becoming indulgent.

Unfortunately the singing is more variable. Agnes Baltsa and Carreras work well together on stage, whether as lovers or adversaries. And in *Samson et Dalila* they must be both. There is a tension ready to flare in this relationship which Saint-Saëns uses to fire the whole of his second act and these two artists, setting sparks off each other, bring it vividly to life. If only Baltsa did not rely so heavily on a rasping chest voice; or Carreras, more understandably, find himself so hard pressed at the top.

In furnishing himself with a streamlined version of the biblical story, Saint-Saëns left little room for other characters. Jonathan Summers is a strong but unsubtle High Priest. Simon Estes and Paata Burchuladze make a meal of their smaller roles in the wrong way, rolling the French vowels round in their mouths and chewing over the consonants.

Saint-Saëns: *Samson et Dalila*. Chorus and Orchestra of Bavarian Radio/Colin Davis. Philips 426 243-2 (2 CDs)
Honegger: *Jeanne d'Arc au bûcher*. Choeur de Radio France, Orchestre National de France/Ozawa. DGG 429 412-2
Debussy: *Chansons de Bilitis*; chamber works. Seyrig, Robles, Nash Ensemble. Virgin VC 7 91148-2
Fauré, Chausson: Mélodies. Souzay, Bonneau. Decca 425 975-2

Which brings us to the real problem of the set.

On the face of it *Samson et Dalila* should survive better than most French operas on the international stage. It does not need the intimate contact with the French language that Massenet's *Werther* or Debussy's *Pelléas* does. It does not involve spoken dialogue like *Manon* or the original versions of *Faust* and *Carmen*. But as soon as a motley of an international cast tries it, the listener finds himself longing for native French singers.

On a new disc of Honegger's *Jeanne d'Arc au bûcher* he happily gets them. This extraordinary montage of events in the life of Joan of Arc ekes out an uneasy existence on the fringes of the repertoire, beyond the realm of opera, outside the everyday reach of oratorio. The central spoken roles and quick fading in and out of scenes make it an ideal candidate for television. Or, indeed, for a recording, where the imagination can function as producer, designer and special effects man, all in one.

There is unlikely to be another disc of the work for some time and so this new one merits a lasting stay. It has the advantage of being a live recording, taken from the Festival de Saint Denis in Paris, and the feeling of a national epic being acted out with rousing passion is excitingly captured. The greater number of the actors and singers are French-speaking, which seems to me absolutely crucial; Seiji Ozawa is the conductor.

By coincidence, spoken French texts turn up again on a new disc from Virgin. This features a rare recording of Debussy's 12 *Chansons de Bilitis*. Not the song-cycle; but a further selection of Pierre Louÿs settings, in which the poems are recited, while a small instrumental ensemble provides linking music. Each sensuous little excerpt leaves the listener thirsting for more. Delphine Seyrig is the confidential reciter and members of the Nash Ensemble add enjoyable accounts of three late sonatas.

Finally, if I had to pick just one new disc of French music, it would – as it were – be an old one. Early in the 1950s Gérard Souzay made a series of recordings of Fauré and Chausson songs for Decca that rank among the very greatest ever committed to disc. It is these that have now re-appeared on CD. But beware: the understanding that Souzay brings to thesongs can leave one pondering long into the night the unsaid depths that music can draw from poetry. At last! – for that is what singing the French language is all about.

Richard Fairman

Chill wind from Berlin

OVERSHADOWED BY more dramatic political events, this year's Berlin Film Festival, which opened yesterday and continues until February 26, is set to be the quietest on record. Admittedly last year is a hard act to follow when, attracted by the excitement of the breached Wall and prospective German unification, Hollywood stars and the world's media flocked to Berlin. This year the backdrop is less glamorous, with war in the Gulf and the ever-continuing decline of eastern Germany relegating the Festival to a place of minor importance.

Weeks before the Festival opened rumours circulated that it would be called off because of the Gulf war and terrorist threats. The annual *Karneval* in the Rhineland was cancelled this year as organisers felt revelry was inappropriate in such times of war. Film Festival organiser Moritz de Hadeln was quick to quash these rumours. The Festival, he said, was not just for entertainment but was an important "work meeting".

Despite this optimistic stance many American guests will not be coming to Berlin although five of the major films on show are Hollywood products. Instead the Festival will be a markedly more European affair. Italian and French productions make up the bulk of European entries with Britain and Germany following with two entries each. The main British entry is Simon Callow's *The Ballad of The Sad Café* starring Vanessa Redgrave and Keith Carradine. There are few entries from eastern Europe: Eastern Germany is noted by its absence, a fact easily explained by the shocking decline of the film industry there over the last year.

It is ironic that, while the Festival continues in Berlin, Europe's largest studios in nearby Potsdam should be fighting for survival. The DEFA studios were once home to Fritz Lang and Marlene Dietrich and continued to operate in the 40 years of communist rule. It is already clear that the studios cannot function economically: staff have been laid off, departments closed and assets sold off. The best chance of survival lies in linking up with a regional television network.

Whilst DEFA has a strong sentimental value, many people in the German film industry think it would be wrong to try and save them for that reason alone. Thomas Mauch, a producer for both cinema and television films, thinks that "saving DEFA would cost too much money, and it's hard enough anyway to find finance in Germany. Our industry is too small to justify such massive studios." Needless to say eastern film-makers do not agree. Eberhard Görner, a director from the east who was trained at DEFA, believes that the "destruction of the studios would be the destruction of a valuable piece of German culture."

Film-makers in the east are suffering depressing times. Alongside the collapse of DEFA, the once-mighty television network DFF has been reduced to a single channel and will soon disappear as regional networks, some from the west, take over.

The rapid decline in eastern film production is complemented by the sorry state of cinemas there. Many are playing to near-empty houses and, in stark contrast to last year, only a few cinemas in east Berlin will be involved in the Film Festival this year. Festival organisers blame poor communications and the lack of reliable management; eastern cinemas see it as lack of interest. One of the few films to bring in the public in the east at present is a western production called *Go Trabi Go*. It tells the tale of an eastern family from Saxony who decide to retrace the poet Goethe's journey to Italy in their baby-blue Trabant.

Frederick Stüdemann

A city that has lost its heart

*Dresden is still trying to rebuild 46 years after the allied bombing. **Victor Price** reports*

DRESDEN WAS pulverised on the night of February 13, 1945. Over a good square mile not a building remained that was not destroyed or damaged beyond repair; and that in a city without military significance. It is a painful experience to walk around it today, especially if you're British.

Looking across from the north bank of the Elbe – the famous prospect created in the early 18th century by Augustus the Strong and recorded on canvas by Canaletto and Bellotto – is deceptive. The great landmarks have been repaired and rebuilt: the Bruehl terrace; the exquisite court church (Hofkirche); the Zwinger art gallery; the 19th century opera house by Gottfried Semper. The skyline they create takes the breath away.

But there is one yawning gap: the graceful dome of the Frauenkirche, or Church of Our Lady (Protestant in spite of the name), collapsed two days after the air raid; its ruin, left untouched, has become a holy place for the peace movement. Bellotto's painting shows how its dome was the central axis of the city, the natural focus for the eye. Now it's gone, and the guilt feelings its absence evokes are tempered only by the evidence of the city's second destruction, carried out in the 1950's by the government of the GDR itself.

Professor Hans Nadler, post-war director of the city's Institute for the Care of Historic Monuments and now a sprightly eighty-year-old, told me that this did not happen all at once. The wilder post-war schemes – to raze everything and build an ultra-modern city pierced by huge thoroughfares for motor traffic, for example – were rejected. The historic centre was retained inside a protective ring road. A pedestrianised avenue, replacing the fashionable Pragerstrasse, was planned to link it with the main railway station.

However, by the 1950's the regime had tightened its grip. Motivated by hatred of the capitalist past and an obsequious aping of Moscow, it scrapped the streetplan of the old city, a warren of medieval lanes running into two lovely marketplaces. The triangular Old Marketplace (Altmarkt) was expanded to three times its former size and provided with a pompous colonnaded facade along its west side (nothing was done to the Neumarkt, where the Frauenkirche stood, because of lack of money).

A vast boulevard, named after the pre-war communist boss Ernst Thaelmann, was driven straight through the old town, in accordance with one of Lothar Boltz's Twelve Principles of Socialist Reconstruction, which decreed that a city of Dresden's size – half a million inhabitants – should have a parade street broad enough to take seventy men marching abreast. The Thaelmannstrasse can do just that. *It is over 150* feet wide, and boasts on its north side the Palace of Culture, a square box with bronzed reflecting windows and a preposterous little roof like a forage cap.

As for the new pedestrianised Pragerstrasse, it was built all right, but with prefabricated concrete panels from the Soviet Union. The result has all the charm of the Birmingham Bullring. Thus Dresden consists today of a rebuilt fragment of the historical centre and, beyond it, a desolate 1950's cityscape sliced into pieces by windy thoroughfares inhabited mainly by parked cars. Further out, I should add, *the city is dilapidated but* charming: the setting, in the hilly valley of the Elbe, is beautiful; the middle-class suburbs need only to have money spent on them to regain their former attractiveness.

Things might have stayed this way for a long time had it not been for the political developments of 1989 and 1990. They jolted the city out of its trance of slow decay. All over the former GDR rebuilding is in the air. In Dresden the offices of the Department of Urban Development swarm with western businessmen waving wads of Deutschmarks and anxious to grab attractive sites in the centre. Banks have set up their counters in temporary buildings. Fast food stalls operate from converted buses. Things are moving; no doubt of that.

But can the movement be controlled? That is the problem the Department faces. It is working against immense difficulties. In the first place its director, Ingolf Rossberg, has a staff of 38 where a western city *of the same size would have* 200. In the second, the ownership of many sites is in dispute, with former emigrants laying claim to property they owned in pre-communist, even pre-Nazi, times. (The New York banking family of Arnold, for instance, has a title to large tracts of the city.)

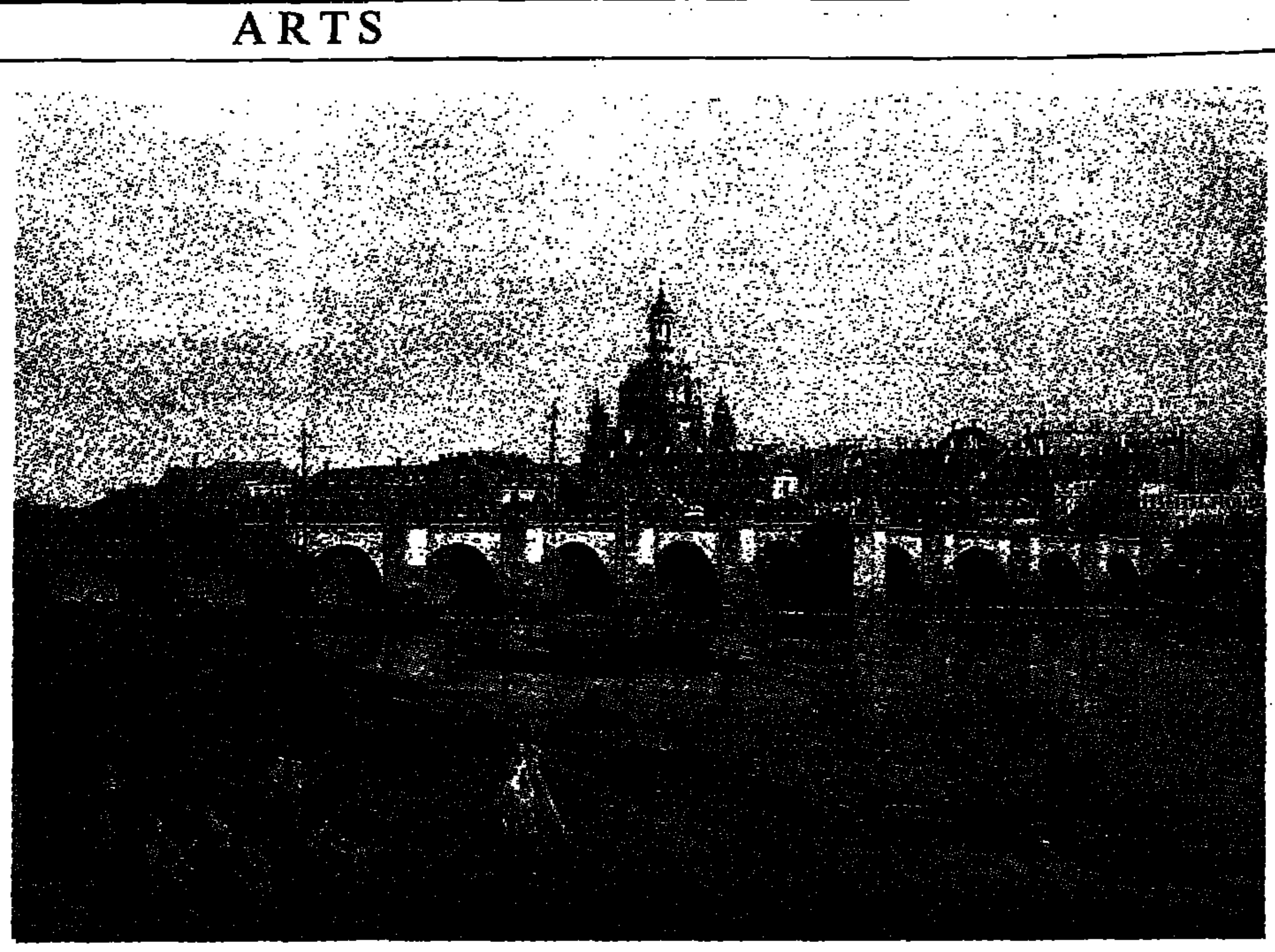
But a start has been made. Architectural forums and workshops have been held to discuss Dresden's future. A master plan, providing for the protection of whole districts as *units, has been adopted; within* this master plan many local plans have been drawn up.

Architects themselves are divided about what to do. Everyone recognises that something vital has been lost; the full glory of baroque Dresden can never return. Some would cut their losses and create a futuristic city in its place. Others would rebuild in total even if that meant creating a museum. Most are looking for a compromise between the two.

There is fairly general agreement about the huge empty boulevards: the building density will have to be increased, and trees planted, to give them a more human scale. The Pragerstrasse *is so jerry-built that* it will probably fall down in any case; some, oddly enough, would regret that, on the grounds that it too is a part of Dresden's history.

The most passionate debate concerns the baroque centre. Reconstruction has recently started on the Residenz, a roofless ruin since 1945. But what of the desolation surrounding it? The city authorities are resisting piecemeal development as best they can, hoping for a consensus to emerge. Festina lente is their motto.

They have launched competitions for the rebuilding of really sensitive areas; one on the Old Marketplace for example will be judged next month. The only such competition completed to date, on the Taschenberg Palace (a blackened *facade of elegant proportions) has opted for a public building* but with a luxury hotel attached. No one can decide whether the omen is good or bad.



Bellotto's view of the dome of the Frauenkirche across the Elbe, now a ruin which has become a shrine for the peace movement. A passionate debate is currently going on about whether to rebuild this symbol of the city

The key issue is the Frauenkirche: to rebuild or not to rebuild? Past neglect of the New Marketplace, in which it stood, turns out to be a positive virtue. The old streetplan is still there. By reconstructing the main buildings and filling in with compatible architecture, a vital area of the old city can be re-created.

It would be hard to overstate the emotional importance of the Frauenkirche for Dresdeners. It is not just architecturally distinguished, like a more *sober version of* Venice's Salute, with a 300-foot dome built entirely of stone (the only one of its kind since antiquity). It is a true citizens' church, for the Protestant subjects of a Catholic monarch.

More than any other building, it is the symbol of the city. "We Lutherans did not have the rich ceremonial of the Catholics. We had only God's word. The Frauenkirche was built around God's word." Thus a sophisticated museum director. The Frauenkirche inspires such semi-mystical tones.

Opinion is strongly in favour of rebuilding. Last year a Citizens' Action Group was formed *to draw up plans and appeal* for voluntary contributions. And what Professor Nadler calls "archaeological reconstruction" would be easy enough; in 1946 the fallen stones were exhaustively catalogued and photographed, and there are full documentary records of the interior. The problem is that the decision belongs, not to the city but to the Evangelical Lutheran Church of Saxony. And to the church the two fragments of wall and the untidy heap of stones which constitute the Frauenkirche today are invested with a totally different significance. They are a living symbol of the horrors of war; peace activists hold candle-lit vigils there every February 13.

One local church leader has stated categorically that to *rebuild would be tantamount* to forgetting the lessons of the war. The Citizens' Action Committee counters this by proposing that the rebuilt church should become a Christian Centre For World Peace.

We as Britons are entitled to have a view on the matter. But coming away from this tragic and beautiful place I could not help wishing that we had some role to play in rebuilding the city we destroyed.

Curtain down on the countryside

"IT MAY be", wrote the novelist John Moore in 1944, "that the country towns and villages will be for a period the repositories... of a certain way *of life, a certain sort of culture,* while the great cities go mad."

Moore's Brensham Trilogy was right to worry about the disappearance of the pockets of eccentricity which were English village life before motorways. Then, its inter-war setting already oozed nostalgia for a golden age before nitrates and centralised farming turned the countryside into a large factory. Now, in David Goodland's stage adaptation, *A Portrait of Elmbury* at the Swan Theatre, Worcester, its conservationist cry is all the more poignant for being bypassed by what we call progress.

Moore's novels, a rural amalgam of Edward Thomas and *The Archers*, answered the powerful English search for Englishness at home in the 1940s. His work everywhere felt the pressure of change in *the squeeze which the city* exerts on the countryside. Changes in Elmbury (based on Tewkesbury) trace a social history between the wars which witnesses the gradual depletion of country life by bureaucracy and technology.

The central character, the village of Elmbury itself, "the last untidy corner" of a tidied postwar England, makes its appearance beneath the roar of a motorway. Waiting on the hard shoulder in a broken-down Ford, a bored family ask "Is this the country?"; their mother replies, "I suppose this is what used to be the country." From the start, David Goodland's fine, concerned production keeps faith with Moore's vision of a diminishing rural scene. Moore's worst fear was that the way of life represented by Elmbury *was a cultural dead end;* his fondest wish was that it provide a social pattern "as good as fallible men could make." Goodland's production misses that political *dimension in* Moore's work; its passion lies in its lament for things lost rather than in its programme for the future.

At its gloomiest, *A Portrait of Elmbury* treats the issue of a *disappearing country* lifestyle rather like one of Philip Larkin's lighter poems, valuing everything in proportion to our capacity to violate it. At its cheeriest, Goodland allows the Elmbury characters to emerge in scenes of carol singing, butterfly gathering and eel fishing. The fatstock, tithes and wassails are presided over by the benign Colonel (Willoughby Gray) and are articled by John Moore (Andrew Williamson) and schoolmaster, cricketer and naturalist, Mr Chorlton (Rob Swinton). The play ought to be transplanted for city audiences beyond this Worcester seedbed.

Goodland maintains a brisk pace, keeping the plotlessness of Moore's trilogy at bay without too much recourse to the Cecil Sharpe songbook and without a surfeit of smocks *and hay bales. Others' realities* interrupt the nightingales' song and the childrens' school chants: two wars take the farmworkers from the fields; cars *bring day trippers* from Birmingham; and housing schemes alter the face of the village.

The English love of countryside really amounts to a love of their piece of countryside. The technology which gives access also brings ruin; and rural metrophobia – represented here by the fear of directives from the War Agricultural Executive Committee in Whitehall – keeps the country and the city apart.

Andrew St George

Inspired to dance by Man Friday

ON THURSDAY night, as part of its *Spring Loaded* festival of post-modern dance, The Place showed us a one-man show by Julyen Hamilton. For more than a decade, Hamilton has been one of the most interesting and assured of new-wave performers, and a creator – as we have gratefully noted in these columns – whose work has a bold physical edge to it.

His latest piece, *Friday*, is inspired by Michel Tournier's eponymous novel, but Hamilton makes it clear in a programme note (brief and to the point) that he is not concerned with a direct narrative about Crusoe and Friday. Instead he seeks to study the interaction of the two characters, and more especially, the "natural" Friday's influence upon the "civilised" mariner, in terms of an inner rather than an outer life.

The result is potent, a fifty-minute solo, largely played in silence, whose interest never flags. As a dancer, in both set and improvisatory sequences, Hamilton is eminently watchable. He is a *commanding figure*, able to draw us into the world of his imagination as into his dance through a movement language which can seem as natural as the demotic of everyday behaviour. We see the ship-wrecked Crusoe drag himself on to his island, watch him discover its secrets (there is good and basic decoration of a few twigs and some shards of pottery), and start to comprehend his nature, as long phrases of action are born of a gesture

A change of pace – a scherzo – brings Friday before us, stepping, bounding, an innocent whose simplicities are buoyant, fresh. These qualities are then to be set against our next view of Crusoe as a man unable to comprehend his setting and, inferentially, his own nature – a sleeper haunted by dreams, blind and unbalanced. The final passages suggest a Crusoe who is reconciled to his situation – which is also Friday's – and in some way at peace with himself.

The work has, I found, a few minor annoyances. At one moment the island is full of *noises, as if someone were* gargling with razor-blades; and Hamilton clouds the integrity of his vision in the finale with a too literal game involving balloons. But these are incidentals. The distinction of Hamilton's presence, the range of his vocabulary – a language whose naturalism is sharpened to rare precision – and his own technical assurance, make for fascinating and challenging dance theatre.

Clement Crisp

Viva España! – but sing it again

BLINDFOLD ME and I think I could recognise Jill Gomez's voice after about five seconds. Not a grand or sunny voice, yet somehow it sounds Mediterranean. It has a dash of vinegar and smoke amid its lights. Some voices are like claret or port; hers, with its quick vibrato and humming edge, is like retsina. A soprano without any strong chest support, the Gomez voice has no wide range of colour, but it is never monochrome. It is both fragile and vivacious.

"Born in Trinidad of Spanish and English parents," her programme biography begins. No doubt this explains her assurance in Spanish song – a climate in which most English singers appear bloodless, polite, mimsy. On Thursday's recital at the Wigmore Hall, *Viva Espana!* she gave us Spain from Philip II's court, from German lieder and French mélodies, and from Spanish composers of the last hundred years. She made a fine record of songs by Granados, Turina and Falla in 1975, and she is much the same singer today. The years have filled out her voice, a little, and slowed it down, a little; and on Thursday it took time to settle into its best focus. This didn't, however, matter much.

And yet she is a markedly different and less rewarding, singer today. How come? Simply, whereas the younger Gomez was primarily a communicative singer, today she is above all a personality. *Rather than going to the music*, she takes it to her. On Thursday, with a flower in her hair and several more on the opposite hip, she kept striking poses, delivering gestures, tossing her head, jiggling her hips, flashing her eyes and/or teeth.

And how, in every song, she kept nudging the music. Little emphases from below or above, like the underlinings in a schoolgirl's letters. And, in Bizet's "Ouvre ton coeur," the way she kept nudging the words "a mon amour" had a schoolgirl's naughty innuendo about it; "Ouvre ton coeur" was a command she herself disobeyed. In Obradors's "El vito," she dug into notes as if *to announce I Got Rhythm; yet the* song, whose defiantly bright rhythm can be so infectious, never began to dance. Roger Vignoles, that expert accompanist, provided tactful, deferential, subdued support.

The whole recital felt like that most dispiriting of experiences – someone who knows and loves a country dishing up a shallower, flashier view of it to please the tourists. Spanish pride and raw honesty were submerged beneath layers of flouncing vivacity. And zero spontaneity – even in the third encore, a non-Spanish bow to February 14, the Rodgers and Hart "My Funny Valentine."

Gomez knows how to make a Wigmore Hall audience happy, but she is a larger artist than this recital ever showed. The choice of repertoire – itself the evenings's greatest pleasure – shows that she has a serious love of Spain, of its music, and of music about it. She and Vignoles were at their best – most vehement, expansive and percussive – in the first encore, Turina's *haunting Turina song, ending with* words that say "Ay! Say it to me again, because last night, enraptured, I listened without hearing and looked at you without seeing."

Alastair Macaulay

Radio

In touch with the public

"ALL THAT'S been missing," *says the editor of the Radio Times*, boosting the imminent all-in edition, "is ITV, Channel 4 and satellite details. Now that will be put right." But one other thing has been missing, a weekly guide to the World Service, and, as before, the enlarged magazine will give its programmes only once a month. Surely space could be made for a weekly guide if rubbish like *Just Ask Us* were left out.

Radio 4 on Sunday began a new series of debates, potentially *a better way of keeping* us in touch with public opinion than phone-in programmes, even *Call Nick Ross*. This week's motion, that "The British public cannot have confidence in our present system of policing," was lost by 35 votes to 133 – hardly surprising, for the debate was held in the Metropolitan Police Training Establishment at Hendon. Unexpectedly, the proposer was a former Chief Constable; less so, his seconder was General Secretary of *Liberty* (once the National Council for Civil Liberties).

Against them were a rival Chief Constable, who said that the quality of recruits had never before been so high, and the Chairman of the Police *Federation. The debate from* the floor was much occupied by theoretical argument, too little by working coppers. It dealt a lot with mathematical cases like the Guildford Four, the Birmingham Six and so on (there was a Something Seven I hadn't heard about). Racism came up, notably from a black barrister whom I shall never ask to represent me, for he seemed not to know the principals apart. There were speakers from Islington and Lambeth and Northern Ireland (where discrimination has another slant). It was good to hear, and I hope tomorrow's, on the National Health, will be a match.

Stephen Poliakoff's *Breaking the Silence* on Radio 3 on Sunday was a riveting play based, though not closely, on his grandfather's life in Russia in 1920 – three years beyond the revolution. Edward Petherbridge was first-class as the wealthy, arrogant Moscow Jew Nikolai Pesiakoff whom the Bolsheviks appointed Telephone *Examiner of the* Northern Railway and housed with his family in a railway carriage – a dodge to enable him to continue his research on such *scientific matters* as sound films. But some sort of telephone examination had to go on, and his wife Evgenia (Francesca Annis), their servant Polya (Lesley Sharp) and his son Sasha (Richard Pearce), all showing unexpected talents (and giving fine performances) managed to keep so far abreast of the work that, after a dramatic confrontation, all were able to leave the country. This was a truly fascinating and original play, excitingly directed by Richard Wortley.

And on Tuesday Radio 3 gave a new piece by David Pownall, another writer generally prolific of original ideas. This was *Rousseau's Tale*, an hour-long monologue in which Alec McCowen addresses the Royal Society in the title-role, during his English exile in 1766. Invited to share his views, he chose to talk of "feelings rather than logic"; in practice this meant sex, about which he was remarkably frank. His revealed sex-life included everything from a lifetime habit – even approval of masturbation and an interest in thrashing, while marital congress brought him little joy. His time with a Venetian courtesan concluded with disapproval of her deformed breast. *If he offended his distinguished audience*, they were as courteously restrained as you might expect from such gentry, unless the restraint lay in Peter Kavanagh's direction.

The first decade of Radio 5's survey of *A Century Remembered* lay mainly in footnote territory, though we got some records of famous voices (not Queen Victoria's, however; her diary reading had RADA all over it). The events might be important, but the presentation only suggested the memories of old people. Radio 3's *Replay* did better; Lady Astor in 1937, talkin' in her fox-huntin' voice about her days in the House of Commons, was more delightful than I suspect some of us would have found her.

B.A. Young

Chess No 860:
1 Bb3. If Kb5 2 Qc7 Kb4(Ka6 3 Bc4) 3 Qb6. If Ka5 2 Qc6 Kb4 3 Qb6. If Ka7 2 Qc7+ Ka8(Ka8 3 Bd5) 3 Bc4.

TELEVISION

SATURDAY

BBC1

6.40 Open University. 7.30 Babar. 7.55 Eggs 'N' Beer. 8.35 Bravestarr. 9.00 Going Live. 12.12 Weather.

12.15 Grandstand. With Desmond Lynam and including tribute to Ron Pickering. 12.20 Football. 12.50 News; 1.10 Ice Hockey: Durham Heineken League competition. 1.40 Ice Hockey: 2.10 Rugby Union: England v Scotland. 3.55 Football half-times; 4.00 Rugby Union: Highlights of Wales v Ireland. 4.40 Racing From Leopardstown. 4.45 Final score. (All events and timings subject to change and/or cancellation).
5.10 News; Weather.
5.20 Regional News And Sport.
5.25 Stay Tooned! Animated action from around the world.
5.50 Jim'll Fix It. Jimmy Savile makes more dreams come true.
6.25 'Allo 'Allo! General Von Klinkerhoffen's taste for fine wine scuppers Michelle's latest plan for getting the British airmen back to England.
6.55 Paul Daniels Magic Show. Sheridan Morley reveals a startling prediction. With American artist Deny Dent.
7.40 Bergerac. The Waiting Game. Bergerac is employed to look into companies seeking trade licences in Jersey. Danielle is convinced his life is in danger, but nobody believes her.
8.35 Don't Wait Up.
9.05 News And Sport; Weather.
9.25 Midnight Caller.
10.05 The Full Wax with Ruby Wax. Elaine Stritch explains why she's started to say 'no', and Ruby 'fixes it' for Cindy Jackson to have her breasts enlarged.
10.50 Match Of The Day: The Road To Wembley. Desmand Lynam introduces highlights of three ties from today's FA Cup Fifth Round.
12.00 Film: Catlow (1971). Starring Yul Brynner, Richard Crenna and Leonard Nimoy. Cattle rustler Catlow is hunted by the local lawman and a ruthless bounty hunter while heading down to the border and two million dollars of the Fed's money. Directed by Sam Wanamaker.
1.40 Weather.
1.45 Close.

BBC2

6.50 Open University. 2.45 Mahabharat.

3.25 Film: Johnny Angel (1945). Starring George Raft and Claire Trevor. Captain Johnny Angel is out to avenge his father's murder in this atmospheric thriller with psychological overtones, set in New Orleans. (B/W)
4.40 Fruity Passions. Margaret Vaughan concludes her series by visiting London where she samples sorrel punch on a railway embankment, and makes sherry from parsnips, apples and sultanas.
5.10 Bowls. The Midland Bank World Indoor Championships. Round two of the singles tournament from Preston Guildhall, presented by Dougie Donnelly. Champions Tony Allcock and David Bryant defend their pairs title.
6.15 Late Again. Highlights of The Late Show.
7.00 Newsview. Followed by Weatherview.
7.45 The Trial Of George Washington. John Mortimer presents a non-scripted, staged event in which George Washington is brought to trial for high treason against the Crown prosecuted by the eminent Stanley Kentridge and his team, and defended by five American lawyers. Recorded at the General Hall, Lincoln's Inn.
9.05 French And Saunders.
9.35 John Sessions's Tall Tales. There's Nowt so Queer As Folk. The Wordsworths are having trouble with their drug-crazed lodger, Samuel Taylor-Coleridge.
10.00 Rhythms Of The World: China Rocks. A documentary portrait of China's only rock star Cui Jian. For the students of Tianamen Square, Jen's music of resistance has been instrumental in the push for cultural and political change.
11.00 Twin Peaks.
11.50 Film Club: Interrogation (1982). Krzystof Kieslowski and Krystyna Janda star in this story of a girl who falls into the hands of the secret police. Janda won Best Actress at Cannes for her portrayal of the girl who wakes up behind bars to a nightmare experience ranging from a mock execution to an affair with the interrogator who wants her to inform on a friend (Polish with English subtitles). (B/W)
1.50 Close.

LWT

6.00 TV-Am. 9.25 Motormouth. 11.30 The ITV Chart Show. 12.30 Saint & Greavsie.

1.00 ITN News. Followed by ITV National Weather.
1.05 LWT News. And LWT Weather.
1.10 Grand Sportsmasters by Dickie Davies.
1.40 World Sport Special. Fast-moving sports action from around the globe.
2.10 The Day.
2.15 Golf PGA Tour.
3.10 Film: Escape To Burma (1955). Barbara Stanwyck stars as a young American woman whose life is put in turmoil when a handsome adventurer, suspected of murder, seeks refuge on her plantation. Also starring Robert Ryan.
4.45 ITN News. Followed by ITV National Weather.
5.00 Results Service. Rounded up by Elton Welsby.
5.10 LWT News. And LWT Weather.
5.15 Beverly Hills, 90210. Starring Jason Priestley, Shannen Doherty, Carol Potter and James Eckhouse.
6.10 Catchphrase.
6.40 You Bet. (New Series) The show that challenges people's unusual skills is back with new hosts Matthew Kelly and Ellis Ward. Guest celebrities this week are Vicki Michelle, Nick Skelton and Brian Glover.
7.40 Film: From Russia With Love (1963). Starring Sean Connery, Robert Shaw and Bernard Lee. Secret agent James Bond is sent to Istanbul to help a young Russian girl defect with an invaluable cipher machine. But the assignment is a trap set by SPECTRE, designed to lure Bond to his death.
9.45 ITN News And Sport. Followed by ITV National Weather.
10.05 Aspel & Company with guests Dawn French, John Hurt and Status Quo.
10.50 Jake And The Fatman. Side by side. A plot to murder a newspaper editor backfires, leaving McCabe stranded on a deserted Hawaiian island being stalked by an assassin.
11.50 Diamond Awards Festival 1990.
4.10 The Hit Man And Her.
5:10 Backstage.
5.30 ITN Morning News.

CHANNEL4

6.00 Comic Book. 7.00 Transworld Sport. 8.00 The Channel Four Daily. 9.15 Channel 4 Racing. 9.25 Sing And Swing. 9.30 Listening Eye. 10.00 North Pole Expedition. 10.30 Film: Just William's Luck (1947).

12.15 Platon.
12.30 The Munsters. (B/W)
1.00 Film: The Magic Box (1951). Biography of the British film pioneer William Friese-Greene, starring Robert Donat. With cameo roles from Lord Olivier, Sir Richard Attenborough, Sir Michael Redgrave and Dame Margaret Rutherford.
3.00 Channel 4 Racing from Leopardstown in Ireland.
5.05 Brookside Omnibus.

All timings on all channels are subject to change due to coverage of the Gulf War.

6.30 Right To Reply including Nawal el Saadawi on why she feels she was misrepresented in Without Walls – Hidden Faces, in which she appeared and a written response from Jonathan King, producer of the Brit Awards, on his treatment of singer Sinead O'Connor.
7.00 The World This Week. Sergei Grigoriev, spokesman for President Gorbachev, and Manfred Worner, secretary-general of NATO, on the future of arms control in Europe in the face of a hardening of Soviet policy, plus a look at the resurgence of the KGB
8.00 The Land Of Europe. Pytalovo. An ex-KGB detective and his wife have moved to the village of Pytalovo on the Russian-Latvian border to try their hand at farming. Second documentary in the series on rural life from Finland to France, told by the people who live there.
9.00 LA Law.
10.00 4-Play: Deptford Graffiti.
11.10 The Secret Cabaret.
11.40 After Dark examines the wilder shores of love – those who love too much, those who can't love at all and those who love the wrong people. Guests include a self-confesed "sexaholic" and a therapist who believes you can't have too much.

REGIONS

S4C as Channel 4 except:
6:00 The Art Of Landscape. 10:00 Class By Class. 10:30 The Secret Life Of Machines. 11:00 Travelog. 11:30 Remote Control. 12:00 Jonathan Ross. 12:30 Sumo. 1:00 The Last House In Bombay. 2:00 Cymru V Iwerddon. 4:05 Racing. 6:30 Newyddion/News. 6:45 Nos Sadwrn. 7:45 C'mon Midffild. 8:30 Y Maes Chwarae. 9:40 Film: Hollywood Mavericks Songwriter. 11:25 Stamp Of Royalty
IBA Regions as London except at the following times:-
ANGLIA
1:05 Anglia News. 2:10 The A-Team. 3:05 Film: The True Story Of Jesse James 5:10 Anglia News And Sport. 10:50 Up The Junction. 11:35 Gulf News Report. 11:40 Film: The World Is Full Of Married Men.
BORDER
1:05 Border News. 1:40 The Silk Road. 2:35 Rugby League - Live. 5:10 Border News And Border Birthdays. 10:50 Film. The Laughing Policeman.
CENTRAL
1:40 Ski Tips. 2:10 Out Of Limits. 2:15 The Spectacular World Of Guinness Records. 2:45 Film: Tiger Bay. 5:10 Central News. 10:50 Film: Beneath The Planet Of The Apes.
CHANNEL
1:05 Diary Dates. 2:10 Hard Time On Planet Earth. 3:05 The Love Lottery. 5:10 Channel News. 10:50 Film: What's Up Tiger Lily?
GRAMPIAN
1:05 Grampian Headlines. 1:40 Abair! 2:10 Coronation Street. 3:05 Film: The Cattle Queen Of Montana. 5:00 Scotsport Results. 10:50 Film: The Laughing Policeman.
GRANADA
1:40 Matlock. 2:35 Rugby League -Live. 5:10 Granada News. 10:50 Film: The Laughing Policeman.
HTV WEST
1:05 HTV News. 2:10 The Young Riders. 3:05 Film: Carry On Henry. 5:10 HTV News. 10:50 Hardball. 11:55 Film: Incident In San Francisco.
SCOTTISH
1:05 Scotland Today. 1:40 Here Come The Double Deckers. 2:10 This Is America, Charlie Brown. 2:35 Saturday Cinema On Scottish 4:20 The Spectacular World Of Guinness Records. 5:00 Scotsport Results. 5:10 Scotland Today. 10:00 Scottish Weather. 10:50 Film: Desperado.
TSW
1:05 TSW News 1:40 The South West Week. 2:10 CaPSize! 3:10 Film: Nefertite, Queen Of The Nile. 5:10 TSW News. 10:50 Every Which Way But Loose.
TVS
1:05 TVS News. 2:10 Hard Time On Planet Earth. 3:05 The Love Lottery. 5:10 TVS News. 10:50 Film: The Man Who Could Cheat Death.
TYNE TEES
1:05 Regional News. 2.10 The A-team. 3:05 Film: Pearl Of The South Pacific. 5:10 Northern Life - Saturday Special. 10:50 Film: The Laughing Policeman.
ULSTER
1:05 Ulster Newstime. 1:40 Superstars Of Wrestling. 2:40 The A-Team. 3:40 Munsters Today. 4:10 The Spectacular World Of Guinness Records. 10:50 Film: The Laughing Policeman.
YORKSHIRE
1:05 Calendar News. 1:40 The A-team. 2:35 The Spectacular World Of Guinness Records. 3:00 Film: More Wild Wild West. 5:10 Calendar News. 10:50 Harper.

SUNDAY

BBC1

6.45 Open University. 8.55 Playdays. 9.15 Come Holy Spirit. 10.00 A Vous La France! French for beginners.

10.25 Espana Viva.
10.50 Step Up To Wordpower.
11.15 A Way With Numbers.
11.40 Bazaar. Economical ideas.
12.05 See Hear!
12.30 Country File. From the annual conference of the National Farmers' Union. John Craven and Anne Brown investigate the NFU its financial and environmental problems, as well as its influence and the poor image of farmers. Including at 12.55 Weather.
1.00 News; On The Record. Former foreign secretaries Sir Geoffrey Howe and Dr David Owen discuss with Jonathan Dimbleby what they believe is the appropriate action for the British government following the breakdown of perestroika in the Soviet Union.
2.00 EastEnders.
3.30 Match Of The Day.
5.05 The Clothes Show.
5.30 Antiques Roadshow.
6.15 Lifeline. A round up of charity news and an appeal on behalf of the National Playbus Association.
6.25 News; Weather.
6.40 Songs Of Praise. Alan Titchmarsh visits St Marylebone, London, and investigates a church that includes a doctor's surgery, a school chapel and a practice room for the Royal Academy of Music.
7.15 Brush Strokes.
7.45 Lovejoy.
8.35 Butterflies.
9.05 That's Life!
9.45 News; Weather.
10.00 Mastermind.
10.30 Everyman. An Act of Love. An investigation of the moral and psychological factors that lead Afrikaners, who have the highest number of family murders in the world, to kill every member of their families because of the belief that they will have a better life in the next world.
11.10 The Days And Nights Of Molly Dodd.
11.35 Mosaic. In the run-up to 1992, and given our multi-cultural society, the programme questions Britain's attitude to language-learning and asks if we can get away with being linguistically lazy any longer.
12.05 The Sky At Night.
12.25 Mahabharat.
1.05 Weather.

BBC2

6.35 Open University. 12.00 Regional Programmes. 12.30 Scrutiny. 1.00 Open University. 1.25 Bowls.

3.00 Film: The Adventures Of Quentin Durward (1955). Starring Robert Taylor, Kay Kendall and Robert Morley. Swashbuckling adventure set in 15th Century Europe, based on a novel by Sir Walter Scott. Quentin Durward becomes a pawn in the mortal struggle for power between the two unscrupulous brothers, King Louis IV and the Duke of Burgundy. Directed by Richard Thorpe.
4.40 Laurel And Hardy: Scram. When Stan and Ollie go before the judge for vagrancy, they are given just one hour to get out of town.
5.00 Rugby Special. Featuring England v Scotland from Twickenham and Wales v Ireland from Cardiff.
6.00 Clive James Interview.
6.35 The Money Programme. Questions of Profit. When companies with glowing accounts start going bust in droves, standards of financial reporting are called into question. Ian Carson reports on the problems auditors face in getting at the truth.
7.15 The Natural World. Cranes of Grey Wind. The epic journey of the Sandhill and Whooper Cranes who fly from South Mexico to the distant breeding grounds in arctic Alaska.
8.05 Jellicoe Gardens Of The Mind. 90-year-old landscape designer, Sir Geoffrey Jellicoe is about to undertake his biggest project yet, working on a huge site in Texas with the theme the Civilizations of Man. He's been called the most influential landscape designer since Capability Brown.
9.05 102 Boulevard Haussmann. Starring Alan Bates, Paul Rhys, Janet McTeer. In his latest film Alan Bennett recounts a bitter episode in the life of the writer Marcel Proust. The year is 1916. While the war rages on the battlefields of France, Proust lives a cosseted life in his Paris apartment, obsessively working on his writing. Presented by Screen Two.
10.20 Film: The Last Tycoon (1976). Starring Robert De Niro, Tony Curtis and Robert Mitchum, directed by Elia Kazan..
12.20 Snub.
12.50 Rapido.

LWT

6.00 TV-Am. 9.25 The Disney Club. 10.45 Link. 11.00 Morning Worship. 12.00 Encounter. 12.30 LWT News Weekend.

1.00 ITN News.
1.15 War In The Gulf. Can the Allied war effort survive the Baghdad bunker disaster? Brian Walden and Donald MacCormick conduct an in-depth analysis.
2.00 Film: Mr Hobbs Takes A Vacation (1962). Roger Hobbs sets off for a quiet holiday only to discover that his wife has other plans. Starring James Stewart and Maureen O'Hara.
4.20 Cartoon Time.
4.30 Bullseye.
5.00 International Athletics. Dairy Crest Games from RAF Cosford. Among those taking part are American sprinters Leroy Burrell and Michael Johnson, as well as Linford Christie, Peter Elliott and Merlene Ottey.
6.30 ITN News.
6.35 LWT News.
6.40 Highway. Sir Harry Secombe visits Suffolk, where he samples Tudor life at Kentwell Hall, Long Melford. He also meets writer Hammond Innes and music comes from James Smilie and Tarleton's Jig.
7.15 Murder, She Wrote.
8.05 You've Been Framed!
8.35 ITN News.
8.55 LWT Weather.
9.00 Agatha Christie's Poirot.
10.00 Coolhead.
10.30 The South Bank Show. The Five Blind Boys From Alabama/R S Thomas. The first half of the programme is a profile of The Five Blind Boys From Alabama, a gospel group who have been performing in America for 50 years. The second is devoted to the Welsh writer, R S Thomas, regarded by some as the greatest living British poet.
11.30 Otley (1968). Born loser Gerald Otley is drunk and sleeping off a hangover when his host is murdered. As a result, Otley becomes involved in the dangerous world of international espionage, blundering from one near-crisis to another. Starring Tom Courtenay.
1.20 The ITV Chart Show.
2.20 New Music.
3.20 Indy Car Racing.
4.20 Pick Of The Week.
4.50 Backstage.
5.00 Wanted Dead Or Alive (B/W).
5.30 ITN Morning News.

CHANNEL4

6.00 The Channel Four Daily. 7.00 The Complete Skier. 7.30 Dr Snuggles. 8.00 The Bluffers. 8.30 Bobobobs. 9.00 Early Bird. 9.25 Sangeet Anjali. 10.00 A Week In Politics including a discussion on patriotism with Enoch Powell, Tony Benn and Jonathan Aitken plus a debate on the future of interest rates. 10.45 Dennis. 11.00 Boom! 11.30 Star Test.

12.00 The Waltons.
1.00 Voyage To The Bottom Of The Sea. (B/W)
2.00 Film: The Return Of Frank James (1940). Fritz Lang's sequel to Jesse James starring Henry Fonda in the title role seeking vengeance against his brother's killer. With Gene Tierney, Jackie Cooper and John Carradine.
3.45 Film: The Pilgrim (1922). Charlie Chaplin film about a convict who escapes (B/W)
4.30 A Hundred Acres. Wildlife during July's drought when the Wetlands, humming with insects and the hunting ground of the mink, became a crucial watering hole. Narrated by Clay Jones.
5.00 Scottish Eye.
5.30 Kersplat!
5.45 Grim Tales.
6.00 Press Gang.
6.30 The Wonder Years.
7.00 Channel 4 News. Sunday edition containing the latest Gulf news.
8.00 Orchestra! The Piano. A personal favourite of both Dudley Moore and Sir George Solti.
8.30 The New Age. Kay Avila examines the common ground between Western forms of psychotherapy and Eastern meditative techniques in their search for spiritual development.
9.00 The Media Show. Coverage of the Gulf War. Following the news coverage of one day's events, the programme shows the way news stories reach the public.
9.45 Film: Hairspray (1988) starring Divine, Sonny Bono, Debbie Harry and Pia Zadora.
11.30 Hello, Do You Hear Us? The Wall. Concentrating on three Soviets fighting the wall of bureaucracy that threatens perestroika: a courageous young Moslem woman in Uzbekistan, a whistle-blowing doctor near Leningrad, and radical Moscow party boss Boris Yeltsin.
12.35 – 2:15 Film: La Ronde (1950). Max Ophuls' essay on physical love linked by Anton Walbrook as a cynic presiding over a carousel of sex and seduction in turn-of-the-century Vienna. (B/W).

REGIONS

S4C as Channel 4 except:
9:25 The Adventures Of Tin Tin. 9:30 Boom! 10:00 A Week In Politics. 10:45 Voyage To The Bottom Of The Sea. 11:45 Kersplat! 12:00 The Waltons. 12:55 Now You're Talking. 1:20 O Bedwar Ban. 1:30 Bwrw Mlaen. 2:00 Equinox. 3:00 Cutting Edge. 4:00 Film: Pick A Star. 5:20 Hang Up. 5:35 Branson - Across A Fiery Sky. 6:35 Grim Tales. 6:50 San Steffan. 7:00 Newyddion News 7:15 Hapus Dyrfa. 7:45 Hel Straeon. 8:15 Dechrau Canu, Dechrau Canmol. 8:45 Mwy Na Phapur Newydd. 9:30 Ffiniau. 10:00 Small Stages. 11:30 The Media Show.
IBA Regions as London except at the following times:-
ANGLIA
12:30 Farming Diary. 12:55 Anglia News. 2:00 Members Only. 2:25 The World Of Golf. 2:55 Film: Escape To Burma.
BORDER
12:30 Gardening Time. 12:55 Border News. 2:00 Film: Sheena - Queen Of The Jungle. 4:00 Scotsport. 6:35 Border News. 10:00 The New Statesman.
CENTRAL
12:30 Gardening Time. 12:55 Central News. 2:00 Film: Mr Hobbs Takes A Vacation. 6:35 Central News. 11:35 Prisoner: Cell Block H.
CHANNEL
12:30 Reflections. 12:35 Les Francais Chez-vous. 12:50 Tele-Journal. 2:00 Against All Odds. 2:30 Knock On Wood. 11:30 The Human Factor.
GRAMPIAN
10:45 The Centurions. 11:15 Sunday Service. 11:45 Link. 12:30 Eikon. 12:55 Grampian Headlines 2:00 Katts And Dog. 2:30 Ski Tips. 3:00 Viv On Sunday. 4:00 Scotsport.
GRANADA
12:30 Close To The Edge. 2:00 Richmond Hill. 2:55 Film: Strangers' Meeting. 4:05 Coronation Street. 6:35 Granada News.
HTV WEST
12:30 Clive's Walks. 12:55 HTV News. 2:00 HTV Newsweek. 2:30 Here Come The Double Deckers. 2:55 Film: Son Of Robin Hood.
SCOTTISH
10:45 Glen Michael's Cartoon Cavalcade. 11:15 Link. 11:30 Let's Rejoice. 12:30 Crann Tara. 12:55 Scotland Today. 2:00 Scottish Supplement. 2:30 Bullseye. 3:00 Viv On Sunday. 4:00 Scotsport. 6:35 Scotland Today.
TSW
12:30 Farming News. 12:55 TSW News And Weather. 2:00 Off The Hook! 2:30 Coronation Street. 3:25 The A-Team 4:25 Gus Honeybun's Magic Birthdays. 4:30 The Piglet Files.
TVS
12:30 TVS News. 12:33 Agenda. 12:58 TVS Weather. 2:00 Against All Odds. 2:30 Film: Knock On Wood. 6:35 TVS News And Weather. 11:30 The Human Factor.
TYNE TEES
12:25 Breakthroughs. 2:00 The Back Page. 2:30 Highway To Heaven. 3:30 Bullseye. 4:05 Coronation Street. 6:35 Regional News.
ULSTER
12:30 Gardening Time. 12:56 Ulster Newstime. 2:00 Film: Hockey Night. 3:35 Rally Ireland. 4:05 Coronation Street. 6:35 Ulster Newstime. 8:55 Ulster Sports Results. 11:33 Ulster Newstime. 11:35 Prisoner: Cell Block H.
YORKSHIRE
12:25 Goals On Sunday. 12:50 Calendar News. 2:00 The Life And Times Of Grizzly Adams. 2:55 Film: Scott Of The Antarctic. 6:35 Calendar News. 11:35 Scrumdown.

RADIO

SATURDAY

BBC RADIO 2
6:00 Graham Knight. 7:45 Take 2!. 8:05 Ronnie Hilton. 9:00 Brian Matthew. 10:00 Anne Robinson. 12:00 Gerald Harper. 1:30 The News Huddlines. 2:00 Robin Ray On Record. 3:00 Gerry Anderson. 4:45 Dudley Savage. 5:00 Cinema 2. 5:30 Music By...Bill Conti. 6:00 Bob Holness Requests The Pleasure. 7:00 Jazz Score. 7:30 Saturday Gala Night. 9:30 Easy Does It. 10:00 The Radio 2 Arts Programme. 12:05 Cinema 2. 12:30 Andrew Lane.

BBC RADIO 3
6:55 News Headlines.
7:00 Morning Concert.
9:30 Saturday Review.
12:55 Words.
1:00 News.
1:05 BBC Lunchtime Concert.
2:05 BBC Scottish Symphony Orchestra.
3:50 Tuning Up.
5:00 Jazz Record Requests.
5:45 Third Opinion.
6:30 Dang Thai Son.
7:30 Vienna Symphony Orchestra.
10:00 Issues.
10:25 BBC Philharmonic Orchestra.
11:25 Lindsay String Quartet.
12:00 News.

BBC RADIO 4
6:00 News Briefing; Weather.
6:10 The Farming Week.
6:50 Prayer For The Day.
7:00 Today.
9:00 News.
9:05 Sport On 4.
9:30 Breakaway.
10:00 News; Loose Ends.
11:00 News; The Week In Westminster.
11:30 From Our Own Correspondent.
12:00 Money Box.
12:25 Just A Minute.
12:55 Weather.
1:00 News.
1:10 Any Questions?.
1:55 Shipping Forecast.
2:00 News; Any Answers?.
2:30 Saturday Playhouse.
3:45 Playback.
4:00 News; Going South.
4:30 Science Now.
5:00 God And Caesar.
5:25 Week Ending.
5:50 Shipping Forecast.
5:55 Weather.
6:00 News; Sports Round-Up.
6:25 Citizens.
7:10 Stop The Week.
7:45 Classic Serial: The Forsyte Chronicles.
8:45 Kaleidoscope.
9:15 Music In Mind.
9:50 Ten To Ten.
9:59 Weather.
10:00 News.
10:15 Strange Stories.
10:45 The Poetry Of Popular Song.
11:00 Richard Baker Compares Notes.
11:30 And Now, In Colour....
12:00 News.

BBC RADIO 5
6:00 Newsdesk.
6:30 Morning Edition.
9:02 On Your Marks.
12:00 News followed by Sport On 4 Plus 1.
12:30 Sports Call.
1:30 Sport On 5.
5:00 Sports Report.
6:00 As Radio 4.
10:00 Sport.
10:15 As Radio 4.
11:00 Sport.
11:10 World Service.
12:00 News And Sport.
12:10 Close.

WORLD SERVICE
BBC for Europe can be received in Western Europe on Medium Wave 648 kHz (463m) at the following times GMT:
5:00 German Features. 5:35 News In German; Headlines In English And French. 5:47 Press Review. 5:52 Financial News. 5:55 Weather & Travel News. 6:00 Newsdesk. 6:30 Londres Matin: News In French. 6:59 Weather. 7:00 World News. 7:15 24 Hours: Extended Edition. 8:00 World News. 8:09 Words Of Faith. 8:15 A Jolly Good Show. 9:00 World News. 9:15 Here's Humph!. 9:30 Financial News. 9:39 Sports Roundup. 9:45 Network UK. 10:00 World News. 10:15 Letter From America. 10:30 People And Politics. 11:00 Newsdesk. 11:30 Midi Magazine: News And Features In French. 11:59 Travel News. 12:00 World News. 12:15 Multitrack 3. 12:45 Sports Roundup. 1:00 World News. 1:15 24 Hours: Extended Edition. 2:00 World News. 2:15 Club 648. 2:30 Sportsworld. 3:00 World News. 3:15 Sportsworld Contd. 4:00 World News. 4:15 BBC English. 4:30 News And Features In German. 4:59 Travel News. 5:00 News Summary. 5:15 Sportsworld: Final Results. 5:30 Londres Soir: News And Features In French. 6:14 News Headlines In English. 6:15 BBC English. 6:30 Heute Aktuell: News And Sport In German. 7:00 German Features. 7:54 News In German. 8:00 World News. 8:09 Society Today. 8:25 Words Of Faith. 8:30 Meridian. 9:00 World News. 9:15 From Our Own Correspondent. 9:45 Write On.... 9:35 Sports Roundup. 10:00 Newshour. 11:00 World News. 11:15 A Jolly Good Show. 12:00 Newsdesk. 12:30 The Ken Bruce Show. 1:00 World News. 1:05 Play Of The Week: Macbeth. 2:00 Newsdesk. 2:30 Second Genesis: Life After Drugs. 3:00 World News. 3:15 Society Today. 3:30 From Our Own Correspondent. 3:50 Write On.... 3:59 Weather. 4:00 Newsdesk. 4:30 Personal View. 4:45 News And Press Review In German..

All programmes subject to alteration at short notice.

SUNDAY

BBC RADIO 2
6:00 Graham Knight. 7:30 Don Maclean. 9:05 Richard Baker. 11:00 Desmond Carrington. 2:00 Benny Green. 3:00 Alan Dell. 4:00 Palm Court Time. 4:30 Sing Something Simple. 5:00 Charlie Chester. 7:00 John Lawrenson. 8:00 London Winds. 8:30 Sunday Half-Hour. 9:00 Alan Keith. 10:00 Radio 2 Arts Programme. 12:05 Rosalind Runcie. 1:00 Andrew Lane.

BBC RADIO 3
7:00 Morning Concert.
8:30 News.
8:35 Music From The Dresden Court.
9:15 Isaac Stern And Friends.
10:15 Music Weekly.
11:00 From The Proms 1990.
12:55 Replay.
1:00 News.
1:05 Your Concert Choice.
2:30 Chamber Music From Birmingham.
3:55 BBC Philharmonic Orchestra.
5:00 Listening To....
6:00 A Lenton Sequence.
7:00 Grand Concertos.
9:30 Elliott Carter Festival.
11:05 Early Music In York.
12:00 News.

BBC RADIO 4
6:00 News Briefing; Weather.
6:10 Prelude.
6:30 News; Morning Has Broken.
6:55 Weather.
7:00 News.
7:10 Sunday Papers.
7:15 On Your Farm.
7:40 Sunday.
8:50 Appeal.
8:55 Weather.
9:00 News.
9:10 Sunday Papers.
9:15 Letter From America.
9:30 Morning Service.
10:15 The Archers.
11:15 News Stand.
11:30 Pick Of The Week.
12:15 Desert Island Discs.
12:55 Weather.
1:00 The World This Weekend.
1:55 Shipping Forecast.
2:00 Gardeners' Question Time.
2:30 Talking Heads.
3:00 Touching Wood.
3:30 The Radio Programme.
4:00 News; Analysis.
4:47 Time For Verse.
5:00 News; Down Your Way.
5:40 Beaten Tracks.
5:50 Shipping Forecast.
5:55 Weather.
6:00 News.
6:15 Feedback.
6:30 The Tale Of Hoffman.
7:30 Bookshelf.
8:00 The Radio 4 Debates.
9:00 Enquire Within.
9:15 The Natural History Programme.
9:59 Weather.
10:00 News.
10:15 As Flexible As India Rubber.
11:00 In Committee.
11:30 Seeds Of Faith.
12:00 News.

BBC RADIO 5
6:00 World Service.
7:30 Sunday Edition.
9:02 This Family Business.
10:30 Education Matters.
11:00 A Century Remembered.
11:30 Labour Of Love.
12:00 Sport.
12:02 Open University.
2:00 Sport.
2:03 As Radio 2.
3:00 Sunday Sport Extra.
5:00 Sport.
5:02 As Radio 4.
6:00 Sport.
6:10 Bob Hatton Rattle.
6:20 Euromix.
7:20 Open University.
9:00 Nightbeat.
9:30 Across The Line.
11:00 Sport.
11:05 World Service.
12:00 Sport.

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CHESS

NIGEL SHORT qualified for the world championship candidates quarter-finals in the City of London last weekend when his extra pawn in a rook ending edged out Jonathan Speelman in their tenth game. Short, winner by 5½-4½, now meets one of Karpov, Gelfand or Ivanchuk (USSR) or Timman (Holland) in his next match, scheduled for Brussels in May-June.

Vassily Ivanchuk is the danger man. He won the first four games of his match in Riga, the widest margin since the days of Bobby Fischer. Already ranked world no 4, he will now move up a place and is challenging Karpov for No 2.

(V Ivanchuk, White; L Yudashin, Black; Queen's Indian Defence; 3rd game, Riga 1991).

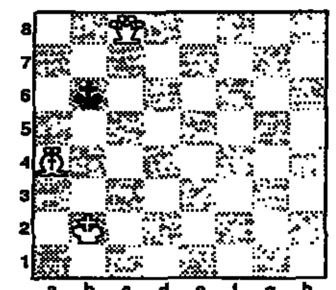
1 d4 Nf6 2 c4 e6 3 Nf3 b6 4 g3 Ba6 5 b3 d5 6 Bg2 dxc4 7 Ne5 Bb4+ 8 Kf1 A surprise,but if 8 Bd2 cxb3 9 Bxb4? b2. Nfd7 9 Nxc4 c6 10 Bb2 b5 11 Ncd2 Bb7 12 Nc3 Qb6. The opening repeats a 1986 Yudashin game which Ivanchuk assessed as good for White.

13 Nce4 0-0 14 a3 Be7 15 b4 a5 16 Nc5 Rd8 17 Bf3 axb4 18 axb4 Na6 19 Qb3 e5. A drastic response to the growing pressure. Black regains the pawn, but the game opens up for White's pieces.

20 Nxb7 Qxb7 21 dxe5 Nb6 22 Ne4 Nd5 23 Kg2 Bxb4 24 Rac1 Qb6? Rac8 holds out longer. 25 Qc2 Rac8 26 Ng5! A decisive switch to Black's king. g6 27 e6 fxe6 28 Qe4 Resigns. Qxe6+ and Qe5 is a winning double threat.

Chess No 860

BLACK 1 MAN



WHITE 3 MEN

White mates in three moves, against any defence (by W A Shinkman,1878). Few pieces, but hard to solve.

Solution Page XVI

Leonard Barden

BRIDGE

RUBBER bridge of reasonable standard provides today's hand. Let us learn the lesson of Fatal Discard:

N
♠ 10 8 6 2
♥ 9 7 4
♦ A 5
♣ Q J 4 3

W
♠ 7 3
♥ K J 5 2
♦ K Q J 8
♣ 9 6 2

E
♠ 5 4
♥ 10 8 3
♦ 9 6 4 3 2
♣ 10 7 5

S
♠ A K Q J 9
♥ A Q 6
♦ 10 7
♣ A K 8

With North-South vulnerable, South dealt and opened the bidding with two spades, North replied with three spades, promising trump support and an ace, and South rebid four clubs. North showed his control with four diamonds and South now said four hearts. North signed off with four spades, but when South tried again with five clubs he jumped to six spades, which concluded the auction.

This was an excellent sequence, but the dummy play unfortunately did not live up to it. West led the diamond king and the declarer correctly won with the ace in dummy. He drew trumps with ace and king and cashed ace, king, queen of clubs. On the knave, which followed, he parted with his 10 of diamonds, ruffed the five of diamonds in hand, crossed to the spade 10 and returned the nine of hearts. East covered with the 10 and the queen was finessed. West won with the king, returned the two of hearts to the eight and ace and with no way of avoiding the loss of another heart, the declarer went down.

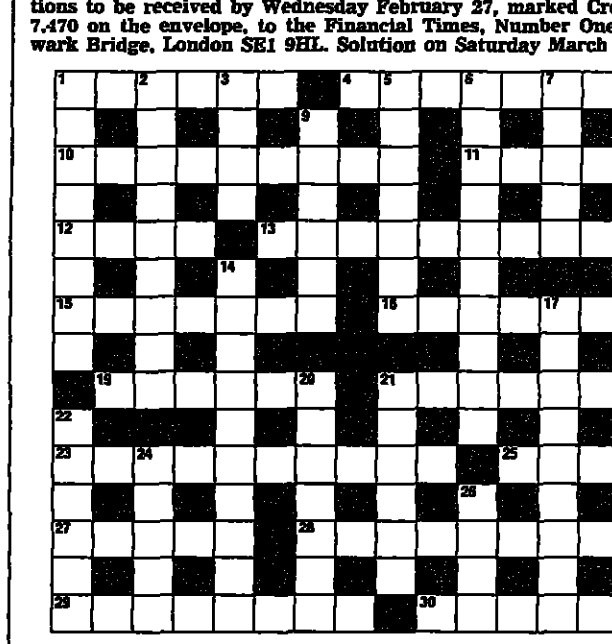
South's discard of the 10 of diamonds was incredible – it was more than likely that West had led from king, queen and knave. We cannot fault South's play of the first six tricks, but when he leads dummy's club knave, he should discard the six of hearts. He follows with the five of diamonds to 10 and knave and West is endplayed. He can choose between leading into the heart tenace and conceding the ruff discard by a diamond return. Should East win with the diamond knave, then the heart finesse is his last resort.

E P C Cotter

CROSSWORD

No. 7,470 Set by DINMUTZ

Prizes of £15 each for the first five correct solutions opened. Solutions to be received by Wednesday February 27, marked Crossword 7,470 on the envelope, to the Financial Times, Number One Southwark Bridge, London SE1 9HL. Solution on Saturday March 2.



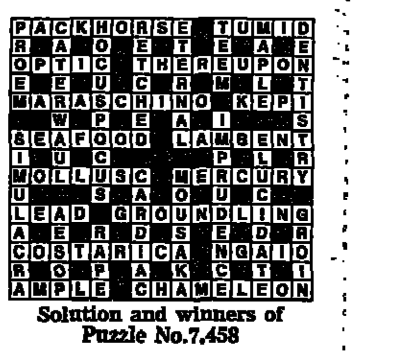
Name..........

Address..........

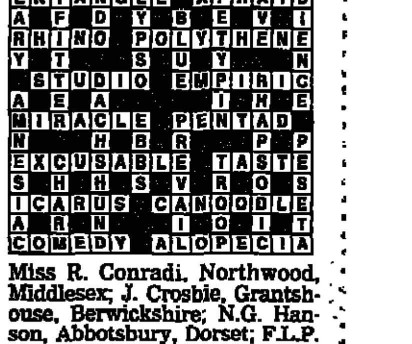
ACROSS
1 Such stress can be grave (6)
4 Sherry-drinks for men at last! (8)
10 Simple salesman's blather is aimless (9)
11 Desert allowance (5)
12 Short drive – second to the flag (4)
13 Phenol for psittacine disorder (10)
15 Make the air more bracing in zoos, perhaps by engineering (7)
16 Bear is last to river (6)
19 The French, in schism, become milder (6)
21 Crave for top of bread and cheese-spread (7)
23 Foreign ref, classified, is found in index (10)
25 Ground-rent deposit? (4)
27 Dismissed by engineers? That's not cricket! (5)
28 Cycle without a starter was Darwin's idea (9)
29 Continuance mainly due to fixed allowance (8)
30 Test of yellow wood (6)
21 Norman's neighbour in British school (6)
22 Stand in a very loud ring-road? (6)
24 Reversible blade (5)
26 Tune given to Rugby in industrial area? (4)

DOWN
1 Union had crushed rising rumour (8)
2 Lion, for example, turned car over in resort (9)
3 First man to float a company? (4)
5 Drawing of old-fashioned figure (7)
6 Less hairy sort of escape? Nonsense! (10)
7 Make Bill work in the house (5)
8 Design for a two-master that goes to sea (6)
9 Intended change in cafe (8)
14 Secondary outcome of team getting result? (4,6)
17 Start the second test? (2-7)
18 Dangerous scraps in the air (8)
20 A cross that tangles goal-net? (7)

Solution to Puzzle No.7,469



Solution and winners of Puzzle No.7,458

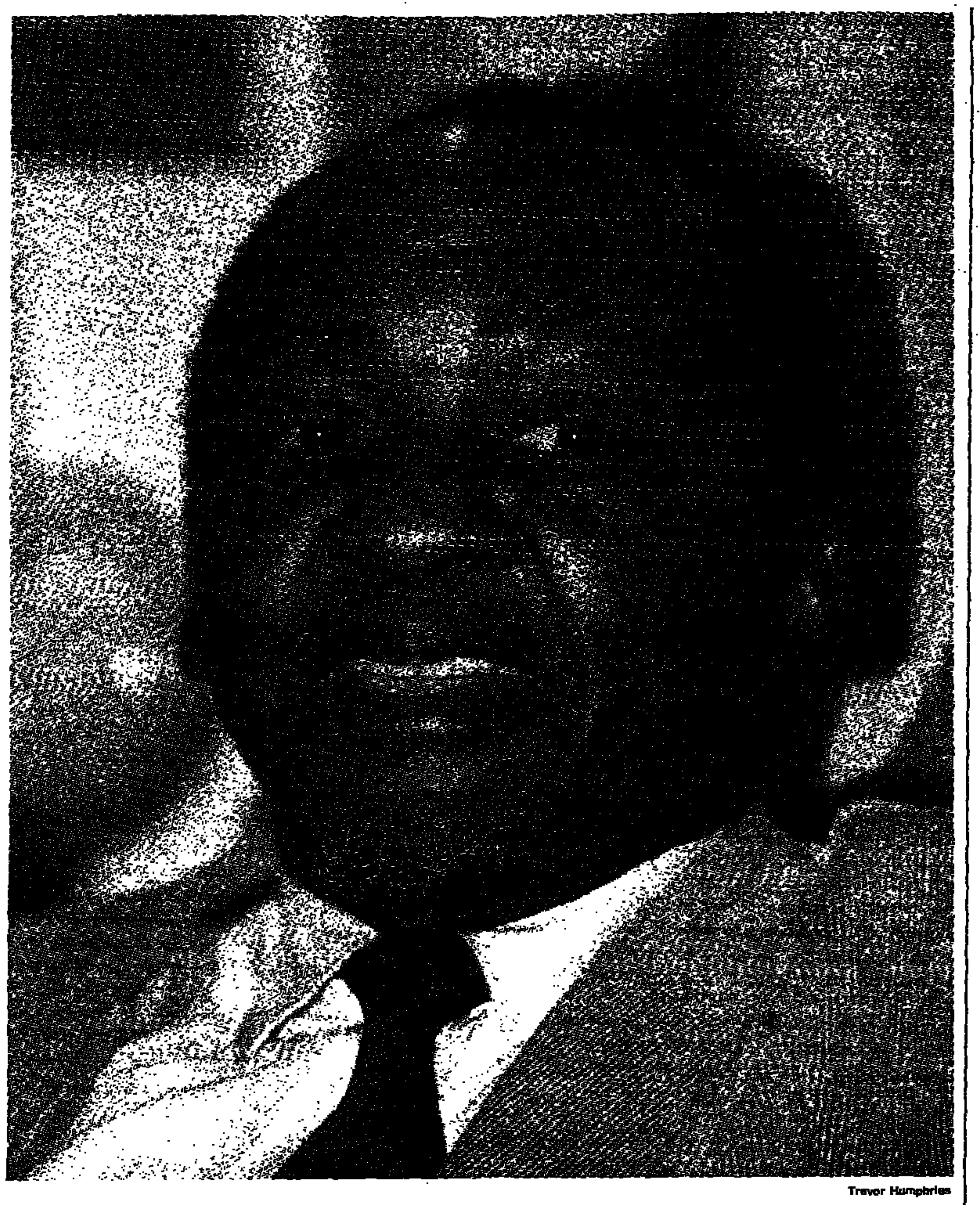


Miss R. Conradi, Northwood, Middlesex; J. Crosbie, Grantshouse, Berwickshire; N.G. Hanson, Abbotsbury, Dorset; F.L.P. Thorne, Bridlington, Humberside; N. Wild, New Longton, Lancashire.

Private View

On being black in Britain

***Christian Tyler** asks Oswald Gibbs whether attitudes to race have changed at all over the last 35 years*



Trevor Humphries

CONTRARY conclusions could be drawn from the embarrassing struggle over the selection of John Taylor, a barrister, to fight Cheltenham for the Conservatives at the next election and so become the party's first black MP.

You could say that it shows how far Britain has come in digesting its post-war immigration and in promoting merit above class and race. Or you could say it shows what a very long way there is still to go. After all, one of the Cheltenham selectors did refer to Taylor as "a bloody nigger".

What does it feel like to be black in Britain? Oswald Gibbs has lived in the UK for nearly 35 years and is unusually well-qualified to answer the question. He is not political, nor part of the race relations industry. But he has moved in the humblest as well as the highest circles: from the bowels of the London Underground as a guard at Marble Arch station to the throne room in Buckingham Palace as High Commissioner for Grenada to the Court of St. James.

The Cheltenham affair is a reminder, Gibbs says, that racial prejudice lies deep below the surface where legislation, however helpful, cannot reach. In particular it highlights Britons' difficulty in accepting even the children of the first immigrants, the generation born in the country and with nowhere else to go.

"People are still talking about the second generation as though they didn't belong," he said.

Gibbs was born in Grenada, a place very few people had even heard of until 1983 when General Norman Schwarzkopf led the US invasion to root out its quasi-Marxist revolutionaries. Before he came to London in 1957 he was a solicitor's clerk and civil servant who had worked abroad as a refinery operator in Curacao, Dutch Antilles, for Royal Dutch Shell.

In Britain he took the first job that was going, with London Transport. There were few incidents in those days. Gibbs does remember once occasion when a woman he had prevented from jumping onto an over-full train told him to go back where he'd come from.

"But one of the regular passengers had noticed the incident and the following day she came in and she said 'excuse me, young man, may I have word with you . I saw that incident yesterday and I think you did very well to control your temper. It's people like that give all of us a bad name.'

"There were niggling things. But by 1959 we had the Notting Hill race riots and I lived through that. All coloured staff were put on day duty to avoid us being attacked on the streets at night. It was very tense at the time. Teddy boys were going round with bicycle chains, pouncing on people. That was a frightening thing for a lot of us."

His wife had just joined him from Grenada. One night the violence was so bad that his motorman advised him not to try and get home to Paddington. He had no telephone at home and his wife and friends spent a sleepless night wondering whether he had been the victim of an attack.

Years later, having meanwhile established himself as a consular officer and a veteran of constitutional and trade negotiations, Gibbs found himself back at Notting Hill, as chairman of the annual carnival.

I asked about the attitude of people in the street, whether 30 years of experience of living together, black and white, had made a difference.

"We have come a long way. I remember looking in the shops in Harrow Road. The notices with places to let would say 'No blacks, no Irish, no dogs.' That has been changed partly by legislation."

"But I've just seen an interesting article in one of the tabloids, a controversy over *London's Burning* (the television series) where a black policeman is supposed to be married to a white woman but they couldn't kiss on the screen. You wouldn't see that happening in the States."

Gibbs compared the elevation of the Jamaican-descended Gen. Colin Powell to head the US armed forces with Britain's own record. He observed, too, that young blacks are very reluctant to join the police force because of its racist reputation, the tendency of the police automatically to see black youths as layabouts.

"Now that is one thing that you have got to correct. There are a lot of youngsters who have gone through the system and have done well. I think of people in the media, young executives in banks. You don't hear much about them. My son for example. We didn't have the means to send him to private school. He went through the state system, a comprehensive, and now he's qualified about four years as a doctor and he's making his contribution in Leeds."

I asked if he still experienced prejudice in everyday life.

"Oh, yes. It's not so much now, but sometimes people assume that if you're black therefore you're dumb. Sometimes you go into a shop and you ask something and they will try and explain it to you as though you were somebody from Mars, you know."

You have to accept that Britain is a multiracial society . . . you have a generation born here that have nowhere else to go

Prejudice can take more complicated forms.

Gibbs, recounted how a woman he met at a barrister friend's party who talked happily to him until the friend came up and said: 'I see you've been chatting to Ozzie. You know we go back a long way and he's such a great guy. A lot of people wouldn't realise that he shakes hands with the Queen.'

"She recoiled. She said 'What do you mean?'. He said 'Didn't you know that he's the High Commissioner for Grenada.' Do you know, that woman apologised for talking to me normally. Now that's the other side of the coin that I have seen in a number of people. I say well, you have got a sort of complex."

I suggested that middle-class people were so embarrassed by the race question that they sometimes over-compensated.

"Yes. Some of them are trying too hard because of the difficulty they have with accepting you for what you are. Right? I find that it's easier with people in higher social echelons in your society. They will accept you, But I find people lower down, the middle class and the lower middle class, who have that difficulty . . ."

And the working class?

"The working class, some of them, are pretty naive."

When you find stupidity, discourtesy or prejudice, does it make you angry?

"I've reached a stage where I can deal with that. It's understanding that they have a problem. I try to deflate the situation. But you don't forget it.

"Some fly off the handle. Some black people react; they can't stand any slight. They are ready to explode. I think from my experience over the years I have managed to take that in my stride."

We don't talk so much about race relations now, I observed, rather, a multicultural society. When you look back to Enoch Powell's "rivers of blood" speech and events like Notting Hill, do you think we should be optimistic?

"I think there is no place for complacency, because of these flash points. There are certain basic attitudes. You have to accept that Britain is a multiracial, multicultural society. Secondly that you have got a new generation, maybe a third generation now, that are born here and have nowhere else to go. They are citizens of the country.

"So you should stop – and this is for the media particularly – you should stop talking about Afro-Caribbean, blacks. If you are going to talk about blacks you must talk about black British because they don't know Jamaica, they don't know Grenada. You have to get a reversal of your sort of terminology, your description of people.

"These are the sort of changes you have got to make in your presentation. You have not come to terms, not made the mental leap. That is a source of irritation and resentment."

The revenge of a patsy

Michael Thompson-Noel

The Chicago Mercantile Exchange launches a futures market in broiler chickens today (Feb 7). *It is the first new agricultural contract to come on to the CME, the main US meat futures market, in years. . . The poultry industry has quadrupled in size during the last 30 years and doubled in just the past decade.* – FT news report.

I HAVE TO tell you that when I read that story I was gripped by a vision – scalded by the heat of cosmic revelation – for it came to me that I was teetering on the brink of an investment idea so radical and powerful, so all-encompassing and yet so simple, that it promises to make me billions between now and 2000, by which time, nutritionists explain, virtually none of us in the West will be eating red meat but will have switched to a diet almost exclusively comprised of chicken, fish and vegetables.

There will be pockets of resistance – barrel-of-lard- shaped men and their rouged companions gagging on meals of beef and decadent venison in temples of depravity such as Simpson's in the Strand. For the rest of us, though, it will be chicken and fish, which brings me to my staggering insight into the world of commodities – the big idea that will earn me billions.

HAWKS & HANDSAWS

Study the commodities page and you will notice that what the markets deal in is a string of prosaic and unwieldy concepts – "oil," "sugar," "cocoa," "potatoes," "gold," "soyabean oil," "live hogs."

All very dull; not at all sexy. Yet variety is the spice of life and sexiness essential if the commodities and futures markets are to arrive at 2000 in a glamorous enough state to grab their share of the trillionaire wheeling and dealing that is likely to greet the roseate dawn of the third millennium.

Broiler chicken futures are a step in the right direction. But the CME hasn't gone far enough. So my idea is this: to launch a futures market in full chicken dinners.

Suppose, for example, that you were wary of the Tory government's ability to do anything lasting and fundamental about Britain's inflation – or about *anything*, come to that, given the unimaginable mess it has landed us in – and that you wanted, therefore, to hedge the future delivery cost of one of the glories of English cuisine: roast stuffed double chicken breast with glazed chestnuts, bacon sticks and creamy bread sauce.

If you *did* you would turn to me, because that is the investment opportunity I am describing: the chance to buy a range of chicken dinners – the dishes to be delivered to your home on an agreed and future night, such as New Year's Eve 1999.

In the interests of prompt financial disclosure I ought to repeat my confession of January 19, namely, that my record as an investor is . . . absolutely shocking. On January 19 I admitted that I was the embarrassed owner of 13,652 units in the MIM Britannia Gold Trust. What I didn't reveal, because space was tight, was the scale of my losses – 46 per cent, at the last time of looking.

Nor is that all, for the rest of my portfolio includes some of the mangiest-performing shares and most broken-backed trusts you could possibly imagine. As for my premium bonds, I have come to the view that the authorities think I'm dead, and have therefore removed my numbers from the ones they feed each month to their reptilian computer.

In short, there is nothing in my record to give you a clue that I am anything *but* a patsy. I am the contrarian's delight: a foolproof guide to the way the market isn't going.

On the other hand (as we say), imagine the fame and riches to be gained if my notion about chicken dinners is truly kissed by genius. The beauty about a dish like roast stuffed double chicken breast with glazed chestnuts, bacon sticks and creamy bread sauce is that it will allow the punters – *sorry*, diners – to hedge their positions *viz a viz* an entire basket of ingredients.

For example, the ingredients for stuffed chicken breast with glazed chestnuts cited in Michael Smith's *New English Cookery* are as follows: 4 lb chicken, 4 oz streaky plain bacon, rindless, roughly chopped, plus 8 rindless rashers for the bacon sticks, 1 egg, beaten, ¼ tsp ground mace, 1 dsp lemon juice, 1 level tsp salt, ⅛ tsp milled pepper, butter or oil for frying, 10 oz chestnuts in brine or in syrup, rinsed under cold water, 1 tbsp thick cream – plus, for the sauce, butter, onion, garlic, breadcrumbs (white), rich milk, double cream, ground mace and salt. We also need some dibs and dabs to make the glaze for the chestnuts: 4 fl oz tinned chicken consommé, 4 fl oz tomato juice, ½ oz butter, 2 fl oz dry sherry, salt and pepper.

Imagine the appeal to investors of hedging the cost of future dinner parties in this manner.

There are times when Michael Smith and his *New English Cookery* irritate me profoundly. For instance, when stuffing the breast of chicken for the afore-mentioned recipe, Smith tells us to wet our hands and arrange a thick mound of stuffing down the centre of the breast. Then, he says, "wrap over the chicken, press to a nice chicken shape" – as though we could press it into a partridge shape or rhubarb shape, instead – "and sew a seam with linen thread" – as though we always had a needle and linen thread lying instantly to hand.

Nevertheless, his book contains a wide choice of chicken dishes which I plan to utilise. Then I will diversify. Who knows what the ingredients for a dish like ragout of salmon, scallops and prawns in white wine sauce will cost by New Year's Eve 1999, let alone those for a dessert such as redcurrant and hazelnut roly-poly pudding with honey-cream sauce – always assuming, which is doubtful, that it is still permissible, at the end of the war-torn, recession-scarred, mealy-mouthed 1990's, to gorge ourselves on anything as innocent or life-enhancing as roly-poly pudding while chatting to rouged companions.

SPORT

South Africa/**Philip Gawith** in Johannesburg

Springboks on the international boundary

AS APARTHEID eases, political and sporting leaders in the west have begun to call for South Africa's return to the world arena. FT writers look at what the boycott has meant for South Africa's sportsmen and women and at the likely quality of its teams.

EARLIER this month the foreign press and the South African cabinet met for their annual cocktail party in Cape Town. True to form, a lot was said about politics and sport. But what was especially South African was the talk of that other favourite subject – sports politics.

Adriaan Vlok, minister of law and order, was only half in jest when he said that he and Joe Modise, deputy commander of the African National Congress's military wing, agreed that political negotiations should be speeded up to ensure South African participation in soccer's 1994 World Cup.

Likewise, Gerrit Viljoen, minister of constitutional affairs and development, agreed that there was probably no better means of keeping a nervous white community on side with the government than having the New Zealand rugby union All Blacks tour South Africa.

Also present was Dawie de Villiers, minister of mineral and energy affairs but better known to sport-lovers as a scrum-half and captain of the 1969 rugby Springboks, the last important Springbok team to tour Britain.

More than 20 years later, it at last seems possible that South African teams might again be seen at Twickenham and Lord's. Ironically it appears that the springbok symbol itself may be an endangered species. Some anti-apartheid officials see it as another remnant of oppression that must go. Others are vehement in its defence. Errol Tobias, the first non-white to play rugby for the Springboks, said: "What ever would they want in its place? An elephant?"

Meanwhile, sports enthusiasts will apply themselves enthusiastically to their favourite game: "Pick-A-Bok," as one local columnist described it.

Clive Rice, veteran all-rounder, one-time Nottinghamshire, Transvaal and South African cricket captain, recently tried his hand at choosing a touring party of 16. Those outside South Africa would not find many familiar names on his list. Of those Rice picked, only Jimmy Cook, by virtue of his recent accomplishments on the English county scene, Kepler Wessels, who played Test cricket for Australia, and, to a lesser extent, Allan Donald, another county player, have an international profile.

At 42, Rice is the last bridge to the pre-sanctions era. He was selected for the 1971-72 tour of Australia, which was cancelled. At the time, South Africa was arguably the best cricketing nation in the world, having beaten the touring Australians 4-0 in 1970.

Will South Africa have a similarly gifted team to offer when it again plays international cricket? Few local observers think so, pointing out that the 1970 team was a truly great one.

Rice, however, is confident that the Springboks would acquit themselves well. He says that people would be surprised in the way they were surprised by the achievements of Vincent van der Bijl and Cook, both late arrivals on the English county scene and previously unheard of.

Rice says that a good nucleus of young players is available – more than half his team is under 26 – who merely need international competition to prove themselves. Some, however, believe the Springboks would struggle on their return, particularly in Tests.

Kim Hughes, the former captain of Australia and captain of Natal (until recently dropped), says South Africa would have a good one-day team, because it has several accomplished all-rounders. But he believes that for a year at least South Africa would struggle at Test level. He rates the Springboks on a par with New Zealand and India but reckons that England would beat them "quite comfortably" in Tests.

The potential of South African readmission to world sport will not have escaped sports entrepreneurs. Rugby and cricket are codes dominated by relatively few countries, and the addition of a major force could have a galvanising effect.

Teams will doubtless be lining up to visit South Africa. Says Hughes "I've toured every cricketing country in the world and the most enjoyable tour I've been on is here."

He is echoed by John Robbie, the Irish and British Lions scrum-half, now an radio-show host in South Africa. Robbie, who played for Transvaal for a number of seasons in the '80s, says South African rugby is "incredibly strong."

Wynand Claassen, who captained the rugby Springboks in New Zealand in 1981 on their last important tour, is more cautious. He suspects that the South Africans would struggle initially against better Five Nations sides, but feels that time and a tour would set things right.

Danie Craven, the 80-year-old doyen of the South African game, agrees. "Our standard is not what it used to be in the pre-sanctions era. The Currie Cup is very strong, but its ceiling is too low for international competition."

He shares the widely-held view that greatness is only proven in international competition. Until South Africa competes internationally again, it will be impossible to know just how good its players are. But he is clear about the immediate priority. "Its playing that we want, not winning or losing."

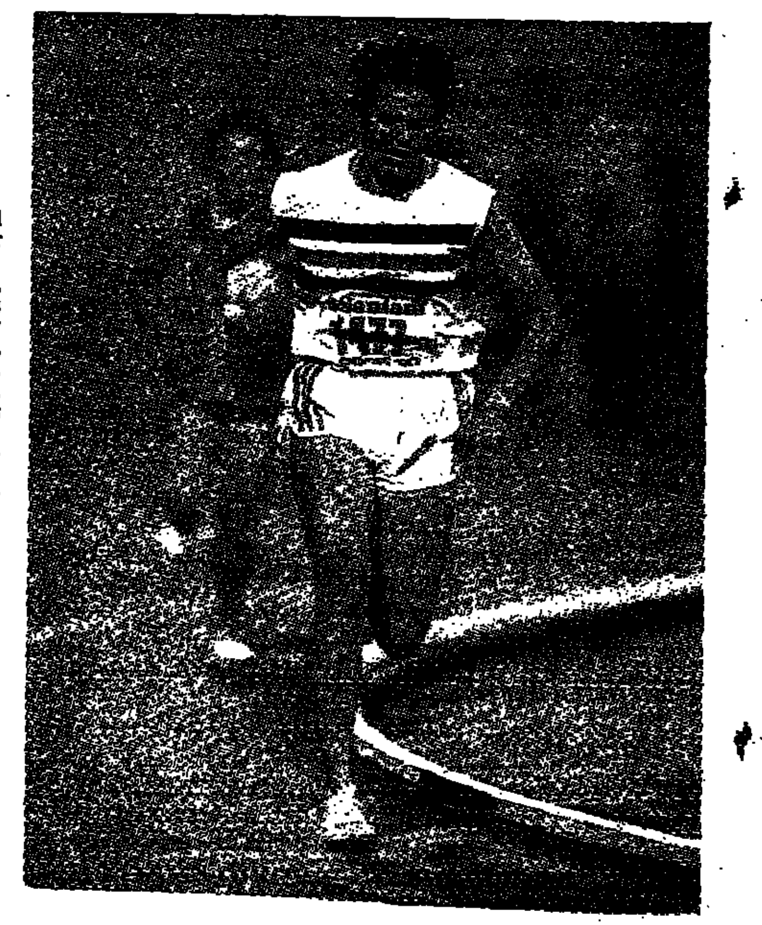
Players and public would agree. Isolation has forced a degree of introspection that has not been healthy. Top sides play each other too often and this ultimately bores everyone. In some cases it drives away sponsors, too.

Professional sports such as tennis, golf and boxing suffered less from isolation. The Gary Players, Kevin Currens and Brian Mitchells have been able to pursue their trade internationally, albeit at a price. Mitchell, the brilliant light-middleweight boxer, has successfully defended his world title 11 times, but never in South Africa.

The great unknown is soccer, played and avidly supported by the country's black population. The consensus is that South Africa remains some way behind the better African teams such as Cameroon and Egypt.

When South African sport is finally readmitted to the international arena, sporting integration will finally have been achieved. The impact on the ground could be considerable.

Segregation meant that many sportsmen and women were never properly eligible for national selection. That will certainly change. Rugby and cricket have made enormous strides in spreading themselves beyond the white suburbs and into the townships.



Lone star? Zola Budd during her brief international athletic career. How many South Africans are ready for the limelight?

Courting a mixed marriage of tennis bodies

SINCE 1978 tennis in South Africa has largely been a domestic sport for individuals and clubs, writes **John Barrett**. In that year the governing body, the South African Tennis Union (SATU), withdrew from all international team competitions – chiefly the Davis, Federation and World Youth Cups, all events administered by the International Tennis Federation (ITF).

At the annual meeting of the ITF in 1989, South Africa's membership was suspended. As an Olympic sport, tennis had todo this to fall in line with the policy of the International Olympic Committee.

As a result of the recent political changes, the three bodies which administer tennis in South Africa are moving quickly towards unification. Traditionally, the SATU has been the governing body. It has a membership of some 55,000 adults and 250,000 school children out of a total playing population (predominantly white, although their rules are non-racial) of about 800,000.

The Tennis Association of South Africa, formed in 1978, has several thousand members, mostly coloureds and indians. This body is an offshoot of the South African Council for Sport, the active organisation led by Sam Ramsammy in London, which believes that sport should be used in political bargaining to force the total abolition of apartheid.

Slightly smaller is the Tennis Federation of South Africa founded in 1988. Its black members are beginning to enjoy some local successes as intensive coaching and tournament programmes (initiated in some cases by the SALTU) raise playing standards.

With the impetus for change growing, these three bodies are working to produce a constitution for an integrated non-racial governing body.

Johan Barnard, the SALTU president, is sanguine. "We are all absolutely delighted with the recent political initiatives that will at last bring about the irreversible changes without which this country cannot go forward," he says. "We have formed a joint sub-committee with the other two governing bodies and are holding weekly meetings as we move towards total unification. We hope to make an announcement within the next two months."

However, the return of South Africa to international tennis will depend on the IOC. The one thing the ITF will not jeopardise at any cost is the participation of tennis in the Olympics, which, by bringing new government funds into the sport, has been the most beneficial development in the game's recent history.